

July 3, 2020

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

SUBJECT: Proposed Fiscal Year 2021 Budget

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I am honored to present to you my first proposed budget as City Manager. The \$2.6 billion Proposed Fiscal Year 2021 (FY 21) Budget continues the tradition of providing a diverse array of services and addressing the City Council's priorities while emphasizing the good financial management and policies that have allowed us to be successful as a City. In fact, since the Great Recession, the City has largely been able to focus on growth, making great strides in innovations and improvements for our residents under the leadership of the Mayor, the City Council, and the hard work of City staff.

There are an incredible number of accomplishments we can be proud of over the past few years. We have helped bring business to the City and supported small business owners, having hosted more than 20,000 online sessions in BizPort to help entrepreneurs navigate the steps to start, manage, and grow a business. In addition, the City has issued 12,675 building permits with a total construction valuation of \$656 million in 2019. The City has enacted inclusionary housing and tenant assistance policies, and there are 650 new affordable housing units for extremely low- to low-income households in the pipeline. In the coming months, the City will also open the Atlantic Farms Bridge Housing Community, the first year-round facility to provide shelter and services to people experiencing homelessness. We have continued implementation of the largest investment in infrastructure in a generation, and, in 2019, we opened our new world-class 93,000-square-foot Billie Jean King Main Library as well as our LEED-certified City Hall and Civic Center Plaza. Long Beach continues to rank high on livability issues: more than 70 percent of residents have rated Long Beach as an excellent or good place to live, and Heal the Bay gave 87 percent of the City's beaches A or B grades in its annual Beach Report Card. Animal Care Services instituted its Compassion Saves approach, resulting in more shelter animals being fostered or adopted than ever before. We continue to have world class parks and wonderful diverse neighborhoods that make us proud to be part of the Long Beach story.

This year we have also faced an unprecedented series of issues – a world-wide pandemic, the injustices of systemic racism, a faltering and uncertain economy, and the projected largest budget shortfall in recent history.

The COVID-19 crisis rapidly developed into a global pandemic that significantly altered the City's plans, priorities, and focus in FY 20. City staff have risen to the occasion, activating our emergency response teams and doing whatever was necessary to protect residents and lessen the economic impact on businesses. I am proud of how rapidly our City moved to meet this crisis, and we continue to make the health and safety of our

community one of our top priorities. Starting in FY 20, the City will provide significant financial and public health support to the community as well as businesses economic resiliency support through the allocation of \$40.3 million in Coronavirus Aid, Relief, and Economic Security Act (CARES) Act funding received by the City.

While grappling with the new realities of a global pandemic, the country was shocked to graphically witness the death of George Floyd at the hands of four Minneapolis police officers. This was an act so senseless and tragic that it sparked worldwide, nationwide, and Long Beach protests and calls to end systemic racism. While this horrendous act sparked national action, we know this was not an isolated incident – the community pain is real and based in patterns and history of racial injustice. Our community has challenged the City to acknowledge this country's history of racial disparities and to take action.

To that end, the City has taken up the task of listening to the community's input and assessing systemic structures within the City and our community that allow for racial inequity and injustice to persist. This budget puts structures in place to review and address these systemic challenges and to ensure that Long Beach provides equitable opportunity and outcomes for all residents. Perhaps most notably is the initial investment of \$3.2 million of structural and one-time funds to implement the recommendations within the Racial Equity and Reconciliation Initiative Plan, which is a product of the City Council directed Framework for Reconciliation effort. The Police Department is also re-evaluating effective public safety in Long Beach. This budget includes changes such as moving certain duties from sworn positions to civilian positions, initiatives that result in reductions to sworn positions, and the establishment of an Office of Constitutional Policing that will work to ensure public safety is provided in a fair, equitable, and just manner. We know that these steps alone will not end racism in Long Beach but they represent critical first steps and our commitment to concrete and substantial action. Because of its importance and critical nature, this citywide effort across all departments will be managed at the highest level by a newly established Deputy City Manager position.

The emergency response to the COVID-19 pandemic and the civil unrest were unexpected global events that have exacerbated the strain on the City's financial situation, both in FY 20 (current year) and in FY 21. In order to address as many needs as possible and take a long-term view of the multiple challenges ahead, the Proposed FY 21 Budget is a balanced budget that relies on both structural and one-time solutions to solve a projected \$30 million General Fund shortfall. The decision to utilize one-time solutions in this budget is based on weighing the long-term goals and needs of the City; the short time frame that existed to make significant choices impacting the community; and the unknown fiscal considerations associated with the pandemic, including the economy and potential additional federal aid. Utilizing one-time solutions at this juncture will provide the City time to evaluate longer-term trends and make thoughtful changes to structurally balance the budget in the succeeding fiscal year, FY 22.

Part of the one-time solutions factored into the budget is \$11 million in General Fund savings from employee furloughs or other solutions from the employee labor groups. These are currently being negotiated and not yet finalized. To generate these savings, 26

days of furlough would be required during the year, equating to 10 percent of pay for the vast majority of our non-sworn employees throughout the entire organization. A sacrifice of this magnitude by our employees would require the closure of City services one day every two weeks and result in the loss of services and organizational capacity by 10 percent. However, this assistance from our employee groups will be a tremendous help in providing the immediate short-term relief needed to stave off even deeper reductions and adverse impacts to services and employees, including significant layoffs in our civilian ranks that would be needed to balance the budget (potentially up to 106 additional position reductions). While negotiations continue, I am very optimistic and grateful to our employee organizations for recognizing the seriousness of the challenge and working with City management to find solutions at the bargaining table to both address long-term compensation and immediate savings needed in FY 21.

Addressing the projected large budget shortfall required a new approach, and the proposed service reductions were evaluated through the lens of a *Balanced Outcomes-Based Approach*. This strategy used a multi-pronged approach that focused on prioritizing and protecting core services while adjusting others to acceptable service levels; ensuring adequate support staffing to meet legal mandates; and preserving effective organizational capacity. Long Beach is a full-service City and prides itself in providing a wide variety of resources and services to the community. This budget preserves and protects many of these critical services including the provision and improvement of affordable housing; support for economic development and business assistance; the overall continuum of public safety and emergency medical response; a multi-faceted homelessness response; maintenance of safe, clean and accessible parks and facilities; and support for infrastructure and livability improvements. It prioritized and preserved emergency response including Priority 1 and 2 Police calls for service and emergency medical and fire services; maintained infrastructure budget and avoided cuts in sidewalks, pothole response, and major facilities' maintenance; preserved the funding to maintain public spaces and assets such as landscaped medians, graffiti abatement, and the majority of tree trimming services; and preserved core youth and senior programming.

While the budget sought to maintain and prioritize a wide range of diverse services, the size of the shortfall still required difficult budget cuts. These reductions do adversely impact our departments' flexibility and ability to respond to and deliver services, but the City will continue to work towards any efficiencies and innovations that can help mitigate these reductions. Additionally, due to the pandemic, significant City resources were diverted to assist with the response and recovery efforts. This resulted in the temporary suspension of the proposed budget development process from March through May, significantly limiting the capacity of staff in developing the budget and requiring a modified process and budget document.

Despite the financial challenges, this Proposed FY 21 Budget accomplishes many goals and outcomes. It prioritizes the health and safety of our residents in our response to the pandemic; it implements bold actions and investments towards the work of racial equity and reconciliation; it maintains core services in a balanced way; and it makes the difficult reductions needed to address the serious multi-year budget shortfalls.

The Proposed FY 21 budget is just the first step and much work remains to be done. The magnitude of the issues before us cannot be resolved in one year and in a single budget. This budget does not represent the completion of important goals, but rather just the beginning of a difficult but promising path to the future. It demonstrates the City's resiliency, drive, and a strong determination by City leaders and staff to deliver the best services in the midst of serious challenges. I am confident in our commitment to work together with our residents, businesses, community-based organizations, neighborhoods, and our Mayor and City Council keep Long Beach a great place to live, work, and play.

Below is a summary of attachments immediately following this transmittal memo, including Attachment A that provides detailed information on the budget. The "Executive Summary" Chapter and its attachments provide details on the budget's financial summaries, including revenue and expense trends and information on other funds.

- Attachment A: Detailed Summary of Budget
- Attachment B: Pandemic Response and Recovery Programs (CARES)
- Attachment C: Summary of Racial Equity and Reconciliation Investments
- Attachment D: General Fund Strategic One-time Investments
- Attachment E: Summary of Proposed Changes – General Fund
- Attachment F: Summary of Proposed Changes – Other Funds
- Attachment G: Measure A FY 21 Sources and Uses
- Attachment H: Measure A Infrastructure Project List
- Attachment I: Measure A 5-year Infrastructure Update
- Attachment J: Measure A Full Year Allocation Plan
- Attachment K: Measure MA Summary of Uses

I want to extend my appreciation to the Mayor and City Council for your fiscal leadership. Also, I am eternally grateful for the Budget staff in Financial Management and all the City Manager Departments for the difficult work required to develop and submit this proposed budget under the most challenging circumstances yet faced. I would also like to thank the City Attorney, City Prosecutor, City Auditor, City Clerk, Civil Service Executive Director, Harbor Department Executive Director, and Water Department General Manager for their continued collaboration and support.

We look forward to working with you as you consider this proposed budget, which accomplishes many things, and as we move forward to address the challenges facing us in the future.

Respectfully submitted,



Thomas B. Modica  
City Manager

## **Detailed Summary of Budget**

### **COVID-19 PANDEMIC AND CITY RESPONSE AND RECOVERY**

On March 4, 2020, the City declared local health and city emergencies to strengthen the City's preparedness and ability to respond to the COVID-19 Pandemic (pandemic). The pandemic has since become a worldwide crisis and is the City's top priority for 2020. The City's emergency response is being managed with the Health and Human Services Department (Health Department) as the lead agency and the Fire and Police Departments as the primary supporting agencies, although most City departments are involved in the response in one form or another. Over 100 personnel have been dedicated full-time to the City's Emergency Operations Center (EOC) since March, with hundreds of other employees throughout the organization engaged in the pandemic response work. However, unlike past emergency activations, the pandemic is unique in that the duration is much longer, requiring sustainable support structures across all City departments over time. This has resulted in a significant diversion of staff from all other priorities, with staff capacity extremely limited to take on new assignments or complete past assignments on timelines previously contemplated.

The City's key priority has been keeping all residents safe and healthy. These efforts, have resulted in the establishment of medical assessment, testing and investigations, medical sheltering, shelters for approximately 300 People Experiencing Homelessness (PEH) or needing to isolate and quarantine; the investigation of over 8,000 positive COVID cases; the management of outbreaks in various facilities; the coordination with medical groups; and the hosting of approximately 50 pandemic-related livestreamed press conferences as well as livestreams and telephone town halls. Additionally, over 123,000 people have been tested at both our city drive-thrus and private medical providers in our City. The drive-thrus organized by the City continue to have the ability to test up to 1,400 people per day.

To help offset the expenses related to this response, a team was established to track and assess funding options, develop processes to maximize the City's use of external funding sources, and meet various documentation and reporting requirements for cost recovery. Additionally, the City has actively advocated for an allocation of CARES Act funding from the State and County. On June 30, 2020, the State Legislature approved the State budget, and allocated approximately \$40.3 million in CARES Act (State Cares Act) funding to the City. Staff has identified, and the City Council adopted a list of activities and functions eligible for these funds that will allow the City to cover expenses related to the pandemic response, provide financial and public health support to the community, and give businesses economic resiliency support. As requested by the City, staff has incorporated the Equity Toolkit to inform a Health Equity Impact Analysis to guide the community and economic support programs supported by the CARES Act. Funds were appropriated in FY 20 but the work and funding will cross fiscal years into FY 21.

The City is proud to implement these programs to support the community and businesses including the following:

- **Community Support Programs** – Homeless Sheltering, Food Insecurity and Meals for At-Risk and Senior Populations, Black Health Education Programs, Early Childhood Support, Non-Profit Relief Program, Youth Leadership & Ambassador Programs, Digital Inclusion Program for Residents, and Older Adults Support and Basic Needs Support, among others
- **Business Support Programs** – Small Business and Non-Profit PPE Distribution Program, COVID-19 Small Business Transition & Recovery Grants, Grants for Queuing Systems and Contactless Payment Systems and Business Improvement Districts (BIDs) Loan and Grant program, among others.

**See Attachment B “Pandemic Response and Recovery Programs”** for a complete list and additional details on the programs made possible by the State CARES Act Allocation.

In addition, City staff have been researching, applying for, and tracking all available COVID-19 grant opportunities to maximize the City’s access to available funding for emergency response and recovery activities. In recent weeks the City has learned that Long Beach will be receiving several large grants to support ongoing programs to address and lessen the impacts of COVID-19. Those grants include the following, among others:

- Four COVID-19 response projects for FEMA Public Assistance for combined EOC/IMT operations; Non-Congregate Sheltering (commonly referred to as Project Roomkey and Isolation and Quarantine sites); Great Plates Delivered Senior Meal Program; and COVID-19 Community Based Testing. The initial estimated cost of these four projects was \$16.1 million. Of this amount, the 75 percent federal share estimated to be reimbursed by FEMA is \$12.1 million and the local cost share would be \$4.0 million.
- A \$13 million allocation from the Los Angeles County, Centers for Disease Control and Prevention's (CDC) Epidemiology and Laboratory Capacity for Prevention and Control of Emerging Infectious Diseases (ELC). The ELC will provide support for a broad range of testing and epidemiological surveillance related activities over a 2.5-year period.
- \$13 million from the Emergency Solutions Grants (ESG) from the U.S. Department of Housing and Urban Development (HUD) and \$1.8 million in ESG-CV, for a total of \$14.8 million in ESG grants. These ESG Funds will support emergency shelter, homeless prevention, rental assistance, street outreach, and administrative activities.
- \$3.6 million in round one of Community Development Block Grant – CARES (CDBG-CV) grant funds for tenant assistance. Additional CDBG-CV grant funds are expected in the future to assist with tenant assistance.

- \$6.9 million from The Homeless Housing, Assistance and Prevention Program (HHAP) to support regional coordination and expand or develop local capacity to address immediate homelessness challenges. This includes measures to bring the unsheltered safely indoors, maintain health and sanitation standards, institute medical interventions, and add new isolation and quarantine capacity to the shelter and housing inventory to slow the spread of the pandemic.
- \$657,554 from the Department of Justice (DOJ) for the Police Department to increase the use of technology to maintain social distancing and reduce the need to gather personnel and the public in confined spaces; increase language translation services to communicate various orders and enforcement documents; crisis leadership training for Police Department command staff; disinfection and cleaning of police facilities and vehicles; and purchasing washable uniforms to replace current wool uniforms.

The availability of these diverse array of funds will allow the City to provide supportive services across the broadest categories of needs within the community. Even given the influx of grant funds, however, due to the need for services created by the pandemic and the significant reduction in the City's revenues, it is anticipated that substantial unfunded costs will still exist in FY 20 and over the next few years that will need to be carefully monitored and addressed.

### **RACIAL EQUITY AND RECONCILIATION**

The pandemic has placed many of the racial disparities in health, income and public and private life into sharp focus. The racial disparity in who is least likely to be able to safely stay-home to lower their risk, most likely to get infected, and most susceptible to the virus has shone a bright light on health and economic disparities in communities, including Long Beach.

The pandemic coupled with the protests and civil unrest following the killing of George Floyd pushed cities and residents across the nation into a pivotal moment in time. Instances of grave racial injustice have caused cities across the world, including Long Beach, to pause and introspectively assess systemic structures that contribute to racial inequity and injustice. Understanding the systems that created and continue to foster these inequities and taking concerted action to correct unjust and inequitable outcomes is only possible through a trusting relationship between neighbors, the local government, and the community.

In response to community concerns, on June 23, 2020, the City Council unanimously adopted a Resolution acknowledging Racism as a Public Health Crisis and establishing a Framework for Reconciliation. This framework seeks to foster trust building and mobilize for action and includes: (1) acknowledging the existence and long-standing impacts of systemic racism in Long Beach and the country; (2) listening to accounts and experiences of racial injustice, inequity, or harm to community members, while concurrently compiling

local and external data on racial disparities in the community; (3) convening stakeholders to analyze feedback from the listening sessions and racial disparity data to recommend initiatives that shape policy, budgetary, charter, and programmatic reform; and, (4) catalyzing action that includes immediate, short-term, medium-term, and long-term recommendations for the City Council's consideration in a Racial Reconciliation Report. Since June 22, 2020, four town hall meetings and 13 listening sessions have been completed with the community and a couple of listening sessions with City employees. The themes and topics raised by community participants have been varied, but center around the nexus between racism and community health, housing and homelessness, and policing and public safety, as well as economic inclusion and budget reforms. From employees, we heard the need to address internal City practices around equity in hiring, promotion, and training.

Addressing inequities will not disappear on their own without direct thoughtful and intentional action by local government. Due to the financial crisis brought about by the pandemic, there are severe challenges and limitations for the City to simultaneously manage, including how to resolve a \$30 million budget shortfall in FY 21. While navigating through these significant financial constraints, this budget reflects a commitment to addressing racial inequities and creating a more just community where race no longer predicts how well you will do in life. The Racial Equity and Reconciliation Initiative initiated as part of this budget includes \$3.3 million in funds to invest in this effort, \$2.5 million in structural funds and approximately \$782,000 in one-time funds, that will set us on a path forward with the acknowledgement that as we move forward, more will likely be needed in future years.

This section focuses on the enhancements being made in the budget to support the work of Racial Equity and Reconciliation. Other sections in the message will discuss re-envisioning public safety services, including civilianization, oversight and transparency, and other changes in how services are delivered.

A high-level summary of these enhancements can be found in **Attachment C**: "Summary of Racial Equity and Reconciliation Investments."

### ***City Manager's Office***

- Enhance the Office of Equity and transfer it from the Health Department to the City Manager's Office, reflecting a citywide commitment to elevate and integrate the principles and goals of equity throughout the entire organization. The transfer includes two positions from the Health Department, including the Language Access Program. Additionally, the following one-time funds will be allocated to support the Office of Equity goals: \$63,000 to support an additional temporary staff person not offset by grants; \$100,000 to provide training and education on equity throughout the organization; and \$160,000 to support Language Access Program translation and interpretation services.
- Addition of a Deputy City Manager position to provide centralized coordination for the citywide efforts related to homelessness issues, oversight of the Office of



Equity being transferred from the Health Department, and to manage the development and implementation of the City's efforts related to the Racial Equity and Reconciliation Initiative – reflecting a commitment from the top of the organization to these important goals.

- Addition of a Community Program Specialist position to provide additional support for the Office of Equity and increasing the capacity of the Office to achieve its goals.
- Enhancement of \$150,000 in the City Manager's Office to support reforms and innovations of the Citizens Police Complaints Commission (CPCC). In FY 21, these funds will be used to conduct a comprehensive study on best practices for CPCC operations and the potential for a ballot measure to implement change to its duties and authority as determined by the study. Moving forward, these structural funds will help support the implementation of any recommended changes.

### ***Health and Fire Departments***

- Enhancement of \$1.5 million in the Health Department for the implementation of the Racial Equity and Reconciliation Initiative, with specific recommendations outlined in the Racial Equity and Reconciliation Initiative: Initial Report
- Redesign and restructure the HEART team model with a greater public health focus and utilize Nurse positions in the Health Department instead of Firefighters in the Fire Department.
- One-time funds of \$187,500 to support Fire Diversity Recruitment Program to implement a comprehensive recruitment focused on hiring highly-qualified candidates that represent the City's diverse population.

### ***Library Services Department***

- Addition of three Public Health Professional II positions in the Library Services Department to provide social work services within libraries for patrons in need of outreach and professional assistance, to be offset by grant funds.
- Restructure library services to contribute towards addressing the City's structural shortfall as well as enhance services in underserved areas. The Billie Jean King Main, Michelle Obama, and Mark Twain libraries will now be open from 5 days a week to 7 days a week with upgraded services as the City's flagship libraries. The other 9 branch libraries will maintain full services but reduced to 3 days a week (Tuesdays – Thursdays). This is anticipated to save approximately \$247,000 and avoid elimination of any one branch in the City, while providing both a regional and local model of library access.

### ***Parks, Recreation, and Marine Department***

- Structurally fund the Senior Programming at the Expo Center with an enhancement of \$40,000 that had been supported with one-time funding in past years. This program will further enhance the quality of life for the City's Senior community by continuing to provide core health and enrichment services. The Expo Center is located in the northern part of the City, which has the highest number of Seniors within our City and does not have dedicated senior programming.
- One-time funds of \$272,000 for the Be SAFE program at 11 sites to reduce crime in neighborhoods by extending supervision hours at designated parks during the evenings in the summer, employing neighborhood youth, and giving families positive and safe activities to enjoy together.

### ***Police Department***

- Create an Office of Constitutional Policing in the Police Department dedicated to rethinking policing through a forward-looking focus, building greater trust through increased responsiveness, transparency, and accountability. This Office will be responsible for ensuring that the Department is in step with best practices in policing, legal mandates, and community expectations; guiding the expansion of data analytics for accountability and transparency; engaging with external groups and other city agencies for inclusivity and equity; and liaising with the Office of Equity. This Office will be staffed by reallocating a Special Projects Officer and a Lieutenant (upgraded from a Sergeant position) from the Executive Bureau to this new office and adding a Business Services Specialist IV to perform data analytics, offset by reduction of budgeted overtime.

### **CANNABIS REVENUE FOR RACIAL EQUITY/RECONCILIATION AND PUBLIC HEALTH AND SAFETY**

The Proposed FY 21 Budget recommends that the City Council approves implementing a higher tax rate for business license tax on cannabis businesses as part of the strategic approach that allows the City to invest in the critical priorities of the Racial Equity and Reconciliation Initiative and maintain important public health services, while at the same time recognizing that the City is severely constrained in its resources facing a \$30 million shortfall and the exacerbating effects of the pandemic. The voters previously authorized the City to increase or decrease cannabis tax rates by ordinance subject to the maximum and minimum rates. When first implementing the tax, the City purposely chose to implement it at the lowest of the publicly approved rates, with the ability to increase it in the future as the industry became more established. Increasing the tax rate is the most strategic and viable way to help the City achieve the balance of its goals – both from the fiscal and service perspective.

Measure MA is a ballot initiative, approved by 68 percent of Long Beach voters on November 8, 2016, which established a business license tax on cannabis businesses. The Proposed FY 21 Budget recommends changes to the tax structure with a 1 percent increase in the rate applied to medical and adult-use retail sales, increasing the tax for from the original 6 percent to 7 percent for medical, and from 8 percent to 9 percent for adult-use. Staff recommends holding all other cannabis business license tax rates flat to keep Long Beach competitive with other cannabis markets, including the change City Council made in December 2019 to reduce the cannabis business license tax rate for Manufacturers, Distributors and Testing Laboratories from 6 to 1 percent. Additional information on Measure MA, the tax rates, and the revenues can be found in the City Ballot Measures Section later on in this Attachment.

With this tax increase and improved revenue projections, cannabis revenue is anticipated to generate \$8.6 million in FY 21. This budget is proposing the strategic use of these revenues to fund the following three areas:

- The Cannabis Oversight and Enforcement program citywide – these expenses have been reduced as part of the proposed budget cuts. The FY 21 reductions are part of an ongoing effort to minimize cannabis regulatory program costs by streamlining operations and reducing service levels, where appropriate. In FY 21, the total reductions to the program in the General Fund is approximately \$983,000, with the remaining program budgeted at approximately \$1.8 million. Approximately 7 positions have been reduced from the General Fund, representing a 30 percent reduction in staffing in this program (excluding funding reallocations) and will slow the City's ability to implement new policy and/or licensing and enforcement. Details on the reductions are listed later on in this attachment.
- The structural enhancements related to the Racial Equity and Reconciliation Initiative as discussed in the previous section above. These structural enhancements total about \$2.5 million.
- Maintaining critical public health and safety services, consistent with the resolution of intent on the use of cannabis funds. This revenue will help the City maintain approximately \$4.2 million of priority public health and safety services in an environment where significant shortfalls require reduction of services. These services include the following:
  - Clean Team
  - Support for Homeless Services and the Multi-services Center
  - Violence Prevention Unit
  - Citywide Accessibility Coordinator
  - Lifelong Learning Program at Michelle Obama and Mark Twain libraries
  - Neighborhood Resource Center and Improvement Program
  - Be S.A.F.E. structural funding for 8 sites
  - Senior Center Administration and Programming
  - Homeland Cultural Center
  - Quality of Life Police Officers

A summary of the uses of Measure MA revenue can also be found in Attachment K “Measure MA Summary of Uses”

## **RESOLVING THE BUDGET SHORTFALL – A MULTI-PRONGED APPROACH**

The City’s General Fund was facing a \$30 million shortfall as a result of revenues growing at a slower pace than expenses – further exacerbated significantly by the impacts of the pandemic; the Measure M litigation, and rising costs such as general liability and pension obligations. This is the largest shortfall the City has faced in recent years.

To address such a significant shortfall amount, a multi-prong strategic approach was developed and utilized as listed below. The subsequent sections below discuss the actions taken under each prong.

1. **Efficiencies and Innovations** – identify options for operational efficiencies, consolidations, new ways of doing business, leveraging technology
2. **Service Reductions** – evaluate reductions across all City Departments that prioritize the City’s core services/values, and utilize an outcome-based decision-making process
3. **New or reallocated revenues** – explore areas of new or reallocated revenues and maximize cost recovery
4. **Assistance/Contributions from Employees** – engage with employee groups to explore savings options to help reduce layoffs and service cuts
5. **Strategic Investments** – Investing in critical or priority needs that set the City up to be in better financial standing in the future and promote overall City quality of life

### **Efficiencies and Innovations (Prong 1)**

The first prong in the multi-prong approach was to evaluate efficiencies, innovations, and new ways of doing business throughout the organization that could generate savings. The four areas of efficiencies and innovations included in the proposed budgets are as follows: 1) re-envisioning Public Safety service delivery methodology, 2) recognizing reduced costs from technology and other strategic investments made in the past, 3) assessing the strategic use of contracting in or out of City services, and 4) cleaning up any long-term vacant positions and aligning budget to actual operations where the opportunity existed.

City staff will continue to assess and evaluate operations and explore different service delivery models and areas of efficiencies during FY 21 to identify options that might be implemented in the future moving forward.

## ***Re-envisioning Public Safety Service Delivery Methodology***

The men and women of the Long Beach Police Department work tirelessly every day to protect our residents under laws set forth by our legislative leaders and they answer the call to put themselves in harm's way to protect others, whether facing criminal, environmental or, as in the case of their response to COVID-19, viral dangers. The City is looking internally at our budgetary priorities, our policies and procedures, training, personal and institutional biases, to ensure public safety is provided in a fair, equitable, and just manner. As a City, we are taking a hard look to see how we can partner across all City departments and work together as part of a multi-faceted continuum of public safety. This effort is reflected in the Police and Fire Department's budget proposals, which incorporates civilianization of some sworn positions to create efficiencies and savings, restructuring of operations, and shifting duties from public safety to public health professionals, among others.

Below are some items the Proposed FY 21 Budget includes as part of re-envisioning the public safety service delivery methodology:

- **Use of Civilian Positions in lieu of Sworn Positions in the Police Department**
  - Part of the effort to re-envision the way services are delivered within the Police Department is the effort to civilianize certain sworn positions that are currently assigned to departmental functions that do not require arrest authority or can be performed by a civilian classification. The Police Department evaluated duties performed by sworn staff that are primarily administrative in nature and where civilianization would allow these sworn staff to be redeployed to the field, better utilizing their skillset and training. Additionally, the department evaluated which investigative functions could be performed by analysts and other civilian positions, which would equip the department with in-demand technical and data analytical capabilities to investigate and address crime trends.

The following changes have been included in the Police Department budget. In total, the items below eliminate 34 sworn positions and add 28.7 civilian positions, generating approximately \$5.2 million in savings.

- Convert 16 Police Officers to 16 Community Services Assistants who can respond to Priority 3 Report calls. Priority 3 calls are non-violent 9-1-1 calls that are primarily requests for a crime report to be filled after a property crime has occurred. Several jurisdictions use civilian positions for these roles. Uniformed, unarmed civilians will be trained to investigate and officially document specific property-based crimes, respond to radio calls for nonviolent crimes, and assist community members with police reports.
- Convert 5 Police Officer positions to 5 Property and Supply Clerk positions who will be assigned to manage, replace, and coordinate the repair of public safety equipment and facility duties at the police substations.

- Civilianize the Air Support Unit by eliminating 6 Police Officers and adding 2 civilian Pilots. The Air Support operation schedule will be reassessed and aligned with calls for service trends and patterns.
- Convert 1 Detective position to a Crime Analyst and Non-Career Police Investigator positions assigned to the Special Investigation Division. This will add analytical and investigative support to sections and units that investigate homicides, gang activity, narcotics, and other violent crime incidents. These civilian positions will coordinate with crime analysts assigned to the Patrol division to promote increased investigative and operational communication to address crime trends.
- Reduce the Warrant Detail from 4 sworn positions to 1 Sergeant and 2 Assistant Administrative Analyst positions to continue the work of monitoring and coordinating due diligence checks on individuals with outstanding warrants using Directed Enforcement Teams.
- Convert a West Division Lieutenant position to an Administrative Analyst position who will continue to support the Police IT unit.
- Eliminate 2 Detectives in the Detectives Division and add a Police Non-Career Investigator position to continue the monitoring and investigation of sex offender compliance.
- Transfer the Crossing Guard Program from the Police Department to the Public Works Department. This is a reorganization effort within the City that will help streamline the hiring process and align citywide employment opportunities with workforce development goals.
- **Restructuring and streamlining the Jail Operations** – The Police Department has proposed restructuring the Jail Operations that results in the elimination of 10 Special Services Officers and 2 Clerk Typists positions for a savings of \$1.2 million. The changes include the following:
  - Move the Juvenile Booking Desk to 400 West Broadway, eliminating the need for dedicated staff at an offsite facility.
  - Consolidate the Women's and Men's Jail to the same floor of the Public Safety Building, which can be accommodated and stay within policy set by the California Board of State and Community Corrections.
  - Align staff to actual workload related to volume of bookings, Court Bailiff's unit, and Court Affairs Unit.

- **Other internal reallocations**

- Convert a Police Officer position to a Police Sergeant to oversee the Mental Health Evaluation Team and Quality of Life Team. The Quality of Life Teams and Mental Health Evaluation Teams will be combined together totaling 10 police officers and 4 social workers. The Police Sergeant position will provide unified supervision within the Police Department's homeless outreach and mental health support services.
  - Enhance the analytical capabilities of the Internal Affairs Division to investigate and analyze all Police Department misconduct cases through a reallocation of an analyst position from the Office of the Chief of Police to the Internal Affairs Division.
- **Changing the HEART Team model** – The City has two Homeless Education and Response Team (HEART) Units that have been staffed by two Firefighter/Paramedics for each unit. As noted in the Racial Equity and Reconciliation Initiative section above, this budget proposes to move the two HEART teams in the Fire Department to the Health Department and staff the teams with nurses. This is anticipated to save approximately a net \$450,000 between the Fire and Health Departments and continue to provide a mobile service staffed by nursing professionals specially trained and equipped to meet the health and social needs of the populations being served.

### ***Recognizing Reduced Costs from Technology and Other Strategic Investments***

Due to past technology and other strategic investments, the City is able to capitalize on streamlined operations to recognize savings. In total, these actions save the General Fund \$1.9 million and include the following:

- Elimination of an Equipment Mechanic I, a Garage Service Attendant II, and reclassification of other positions in the Fleet Services Bureau in the Financial Management Department due to lower labor needs as a result of several years of investing in modernizing the City's fleet. This along with other fleet adjustments is anticipated to lower Fleet interdepartmental changes and save the General Fund \$900,597 from what was anticipated in previous projections.
- Reduce budget for maintaining the City's old Mainframe System, which will no longer be needed following the implementation of the HR/Payroll and Budget Development phase (Phase 2) of LB COAST, the City's new Enterprise Resource Planning (ERP) system. Although there is a delay in the implementation of Phase 2 due to the impacts of responding to the pandemic, the Technology and Innovation Department will utilize General Services Fund Group funds available in lieu of charging user departments until the Mainframe is decommissioned. This

along with other departmental adjustments is anticipated to save the General Fund an estimated \$600,000.

- Eliminate an Admin Intern position in the Police Department Records Division as the development of improved E-Citation technology and systems will allow for automatic updates of traffic citations data into the Police Records Management System.
- Eliminate an Accounting Operations Officer, 2 Accounting Technicians and 1 Accounting Clerk in the Financial Management Department due to increased efficiencies from the new ERP System.
- Eliminate 2.26 FTEs in the Ambulance Collections and Collections Divisions in the Financial Management Department to streamline processes through the new Collection system.

### ***Contracting In and Contracting Out City Services to Manage Costs***

Part of evaluating how the City delivers services included looking at areas where it made sense to bring in or contract in services previously performed by consultants, as well as looking at the areas where the City would be best served in terms of cost by contracting out services currently performed by City staff.

The following items are being proposed to bring services in-house to be done by City staff previously performed by consultants. In total, the items are estimated to generate General Fund savings of about \$1.1 million:

- Addition of 4 positions to the Permit group in the Public Works Department to bring permit review and issuance services in house rather than through consultants.
- Addition of 6 Public Works staff to transfer street light maintenance currently performed by an outside contractor, City Light and Power, to the City. The current contract will end in the Spring of 2021, and contracting in will save approximately \$1.5 million once fully implemented.
- Addition of a Business System Specialist position in the Technology and Innovation Department to bring in-house as-needed professional services assistance of ongoing Microsoft Office 365 support citywide.
- Addition of a part-time Clerk position to bring in-house citywide mobile account billing in the Commercial Services Bureau in the Technology and Innovation Department.
- Contracting with the City of Rossmoor to have City staff sweep their streets every Monday generating revenue for the City.



The following items are being proposed to contract out services that are currently being performed by City staff. A Prop L analysis and Meet and Confer processes will need to be completed before these items can be implemented. While figures will change based on updated information and estimates, this is currently projected to save approximately \$950,000 in All Funds (\$500,000 in the General Fund).

- Elimination of 5 Customer Service Representative positions in Parking Citations Section in the Financial Management Department to contract out parking related services with Data Ticket, including manual citation entry, rental car citation processing, releases of liability and plate changes.
- Elimination of 4 positions in the Survey team in the Public Works Department and contract out as needed. A Senior Surveyor position will be kept on as a working supervisor to the contracted surveyors.
- Elimination of 4 positions in the Public Works Department and contract out parking meter collection and maintenance of 1,800 on-street meters and pay-stations to a contractor.

### ***Long-term vacant positions and aligning budget to actual operations***

Every year departments evaluate their budgets to find areas of efficiencies and savings, including the elimination of any long-term vacant positions or aligning budget to actual operations that may have changed over the years. These items are included throughout the departmental budget proposals listed in Attachments E and F.

### **Service Reductions (Prong 2)**

The City took a very hard look at service reductions and the prioritization of services. This work was done utilizing the Balanced Outcome-Based Approach. This approach seeks to meet the following key goals:

- Prioritize and provide core services at acceptable service levels
- Meet required local, State, federal mandates and legal requirements
- Ensure adequate support staffing for front-line services and systems for effective delivery of services, and preserve organizational capacity to effectively operate

This approach also looks at the outcomes of service reduction decisions rather than applying just a percent of funding reduction allocations to departments. This has resulted in a mix of reductions, reallocations, and enhancements across the City departments, with all departments being evaluated for service reductions, including public safety, to maintain a strong balance of acceptable service levels.

In total, department net reductions are approximately \$16.3 million, or \$18.7 million if excluding the enhancements related to Racial Equity and Reconciliation Initiative. Of the

total net reductions, the Police Department's reductions made up the greatest portion at \$10.2 million or 63 percent. The Fire Department was next with \$2.8 million or 17 percent. All departments, while their dollar contribution to the total reductions are smaller compared to Police and Fire with smaller General Fund budgets, on average have taken a 4 percent reduction of their departmental budgets, representing a sizable budget cut. Individual departments may have higher or lower reductions as decisions were made based on the specific departmental proposals and acceptable service impacts. Additionally, if potential employee furlough savings are factored in, departments are cutting costs in FY 21 by an average of 9 percent of their budgets. For Police, this is potentially a \$12.9 million reduction in FY 21 at 5.2 percent of their departmental budget and for Fire it is potentially \$3.3 million at 3.2 percent of their departmental budget. See the "Executive Summary – Financials" chapter for additional breakdown of the dollars and position changes in the General Fund by department.

Below is a high-level summary of the departmental service reductions.

### ***Public Safety Reductions***

These items below are in addition to the reductions that are described in the "Re-envisioning Public Safety Service Delivery Methodology" above. In total, all reductions in the Proposed FY 21 budget resulted in 59 sworn reductions citywide in All Funds (54 from the Police Department and 5 from the Fire Department)

- Eliminate overtime budget supporting the South Division Pine Camera Program. This funding is mainly for additional support during the night time hours Thursday, Friday, and Saturday nights. The program will still be in place, just without this additional overtime support.
- Reduce the Vice Detail Unit from 9 positions to 8 positions, by eliminating 1 Lieutenant position. The 6 sworn positions and 2 civilian positions remaining will continue to research ABC licenses and compliance issues, issue and assess Entertainment Permits, perform backgrounds on marijuana business license applications, and investigate crimes, enforce laws, and participate in rescues related to Human Trafficking.
- Reduce the Narcotics Field Team from a total of 8 to 3 Police Officers. This will reduce the portion of the Drug Investigation Section that investigates local street sales. The remaining portion of the Drug Investigation Section will remain intact with 14 sworn positions and will be available to investigate large-scale narcotic crimes.
- Reduce the K-9 Team from 10 to 7 budgeted Police Officers. The remaining team will continue to utilize specially-trained police canines to assist in apprehending criminal suspects, conducting bomb and explosive detection and narcotics detection.

- Reduce overtime for police patrol in the South Division Tidelands area by \$83,034, representing approximately 88 10-hour shifts. About \$291,000 overtime dollars will still remain for this purpose.
- Eliminate 2 Police Officer positions from the LA County Metro contract per their request. The current staffing model provides ample coverage of the A Line.
- Eliminate the remaining Police Officer position assigned to the LBUSD School Resource Officer program per LBUSD's request.
- Reduction of \$1.9 million in the Fire Department. Specific service reductions have not yet been identified but the City will be engaging in a comprehensive study in FY 21 to evaluate their operations and identify specific strategies and approaches for areas of structural reductions to be implemented in FY 22 in addition to changes needed in FY 22 to address future deficits. In FY 21, this reduction will be covered on a one-time basis by a one-year delay of vehicle capital replacement collections for Fire's entire fleet. This results in the fleet becoming one-year older before replacement. Moreover, this approach should only be a one-year solution otherwise, there will likely be significantly higher costs in the future when vehicles need to be replaced.
- Transfer two HEART team units in the Fire Department to the Health Department, eliminating 4 budgeted Firefighter positions. This is part of the restructuring of the HEART teams to be staffed by Nurses with a greater public health focus as discussed in the Racial Equity and Reconciliation section above.
- Elimination of 2 Public Safety Dispatcher positions in the Disaster, Preparedness, and Emergency Communications Department. Dispatchers have been staffed below the budgeted levels due to hiring and training challenges, but there have been great strides recently to hire up to the budgeted levels. During FY 20, the City Council approved a new salary range for Dispatchers to be competitive with salaries offered by other agencies and assist with retention. Reducing current staffing levels by two positions will impact overall 9-1-1 operations given minimum staffing levels necessary to reduce mandatory overtime, but the Department will keep working retain, hire, and train quality Public Safety Dispatch staff. After this reduction, 71 dispatch positions will remain to provide critical 9-1-1 services to the residents of Long Beach.
- In the Tidelands Operating Fund in the Fire Department, elimination of a Marine Safety Officer position and the reduction of budgeted Non-Career lifeguard staffing by 10 percent from 20.83 FTEs to 18.75 FTEs. A Clerk Typist will be upgraded to an Assistant Administrative Analyst position to help the department reallocate internal duties to maintain the Junior Lifeguard Program. The reduction to seasonal Lifeguards will result in 5-7 fewer Non-Career Lifeguards on the beach on any given day, which may delay emergency response and enforcement of municipal codes along the beaches. Remaining staff will continue to focus on prioritizing life-

safety responsibilities, including water rescues, 9-1-1 calls, sting-ray medical treatment, and other beach related medical calls for service. The reduction of one Marine Safety Officer may limit the effectiveness of dive operations and will result in diminished supervisory staff of seasonal Lifeguards during the peak summer season. The Junior Lifeguard program will no longer have a Sworn Marine Safety Officer to oversee the program, as these duties will be transferred to a civilian program administrator and a Marine Safety Captain.

### ***Administrative Services Support Reductions***

The proposed budget includes a variety of reductions to administrative staff and programs, with the intent to redistribute workload among remaining staff. Effort will be made to maintain workload, but will likely result in delays, greater strain on an already challenged staffing capacity and workload, and less staffing flexibility to respond to organizational issues and analysis in a timely and accurate manner. Below are some examples:

- Reduction of 0.5 of the Assistant to the City Manager-Administration position as well as the reduction of 0.5 of the Manager of Cannabis Oversight position in the City Manager's Office, resulting in the reduction of one net Assistant to the City Manager position. The Department will reorganize the work assignments to redistribute this work internally but will have limited capacity to respond to special requests or analysis for both the cannabis program and internal departmental budget and special project management. Further impact of the Cannabis Manager reduction is described in the section below on cannabis program reductions.
- Eliminate 1 License Inspector and 0.75 Non-career Customer Service Representative positions in Business License Division in the Financial Management Department. This may limit proactive enforcement activities, but the Department will reassign non-revenue related work to non-inspector staff to minimize revenue loss. This will also make it more difficult to staff the phones and the counter at the Permit Center, but priority will be focused on staffing the counter at the Permit Center.
- Eliminate various administrative and clerical staff totaling the equivalent of 3 positions in the Community Recreation Services Bureau in the Parks, Recreation and Marine Department. Work related to scheduling of permits, reservations, budget monitoring and development will need to be absorbed by remaining staff creating capacity strain.
- Eliminate a Communication Specialist position in the Telecommunications data team in the Technology and Innovation Department. This reduces the data network team from 5 to 4 positions, which will increase workload for remaining staff and turn-around time. Department will work to mitigate some of this through improved workflows and prioritizations.

- Eliminate a Business Systems Specialist position in the Enterprise Information Services Bureau in the Technology and Innovation Department, which results in longer wait times for requests for service and project deliverables for utility services system needs.
- Eliminate an Assistant City Traffic Engineer in the Public Works Department. The work of supporting and mitigating traffic safety related concerns will need to be maintained by other staff. This will increase response time for traffic related requests, including but not limited to neighborhood traffic studies, plan review while also increasing time to deliver transportation related projects.
- Transition from a paid OpenGov subscription used to display City finances to a less expensive open source solution to display financial information.
- One-year temporary suspension of the Management Assistant Program in the City Manager's Office to generate one-time savings. This hinders the long-term goals of the City to invest in bringing in talent to the City for succession planning, continued quality organizational development, and support for City studies and efficiency improvements.

### ***Cannabis oversight and enforcement program reductions***

Total reductions to the citywide Cannabis Oversight and Enforcement Programs include the reduction of approximately 7 positions and savings of approximately \$983,000 in the General Fund. Excluding funding reallocations, these reductions represent approximately a 30 percent reduction of positions in the Cannabis oversight program. These reductions will have a service impact to the Cannabis Regulatory Program, as identified in the items below:

- Reduction of 0.5 of the Manager of Cannabis Oversight position and materials budget. With these reductions, the Office of Cannabis Oversight in the City Manager's Office will continue to be able to conduct business/community outreach, equity program implementation, coordinate departments on regulation and enforcement issues, and manage public and County/State coordination. However, with the reduction, there will be limited ability to respond to requests for special projects related to the Cannabis Program. In the past, these requests have included performing fiscal analyses for adjusting business license tax rates, analyzing the feasibility of new cannabis license types, and coordinating with other departments to improve various aspects of the regulatory program.
- Elimination of a Clerk Typist III, a Combination Building Inspector, and portions of a senior Combination and Principal Building Inspector working on code enforcement in the Development Services Departments. Remaining enforcement team will be 0.5 of a position plus a materials budget; the remaining staff will

continue to respond to requests for service and proactively identify businesses and structures that have not obtained the proper permits.

- Elimination of the Cannabis Deputy City Attorney position and reduction of \$150,000 in budget for outside legal counsel. Legal services for the current level of cannabis work can be maintained by reduced in-house staff with the assistance of outside counsel.
- Reallocation of 2 Environmental Health Specialists-NC positions from the General Fund to the Health Fund as the inspections for cannabis businesses are fee/revenue generating activities. There is no service impact as this is just a change in funding source.

### ***Community Services Reductions***

The proposed budget worked to minimize the negative service impacts to the residents as much as possible. Below are some areas of cuts to help generate savings needed to balance the budget, while balancing and prioritizing remaining services and programs.

- As previously noted in the Racial Equity and Reconciliation Initiative section above, 9 branch libraries (other than Main, Obama, and Twain) will go from being open 5 days a week to 3 days a week – Tuesdays through Thursdays. All the libraries will remain full service during the hours they are open. The Billy Jean King Main, Michelle Obama, Mark Twain libraries will go from being open 5 days a week to 7 days a week with upgraded services serving as the City's flagship libraries for all residents and serving both local and regional at a service level not available before in the City in recent history.
- Reduce one hour for the Summer Fun Day program at 19 sites and the Teen Center program at 4 sites. Currently, programs operate six hours daily during the summer from 11am to 5pm. This reduction would result in the programs operating from 11am to 4pm during the summer months.
- Reduction to legal services for outside real estate transactions, architectural services, and property maintenance in the Economic Development Department. Weekly proactive property maintenance visits will instead occur on a bi-monthly or monthly basis.
- Reductions in the Tidelands Operating Fund needed to generate savings due to the significant loss of oil revenue, and increased costs needed to cover debt service payments unable to be covered by other revenues. Additional information on Tidelands is discussed later in this report. Reductions include:
  - Eliminate all Landscape Contract supplemental funding in the Parks, Recreation, and Marine Department used for emergency work and projects

- that fall outside the regular scope of duties of the contract. Basic maintenance will continue to be done.
- Reductions in the Marine Bureau in Parks, Recreation, and Marine, including elimination of a Marina Supervisor and a Marine Agent II and reduction of Marina Agent III hours. Service impacts may include longer response times and delays in processing new/cancelled permits and constructions plans.
  - Reduction of landscape services in the Tidelands Area by 20 percent reflecting a shift from weekly mowing to bi-weekly mowing of green spaces, saving \$11,000.
  - Reduction of budget for tree trimming services along the Tidelands Area in the Marine Bureau. Tree-trimming and related services will be done every other year, saving \$25,000.
- Reductions in the Special Advertising and Promotions (SAP) Fund due to significant loss of revenue as impacted by the pandemic. The funds available for SAP is projected to steeply decline with these revenue losses and projected to potentially run out of all reserves in a couple years if no action is taken. Additional information discussed later in this report. Reductions include:
    - Reductions of 2.18 positions (Events Coordinator and Clerk Typist) and materials budget in Special Events and Filming in the City Manager's Office, which will potentially limit staff's ability to manage events and the scope of events.
    - Reduction of public affairs social media coordinator position in the City Manager's Office that supported communications, marketing and social media messaging; remaining work will be distributed within the Office of Public Affairs.
    - Reallocation of the General Fund portion of Community Information Officer in the Parks, Recreation, and Marine Department to SAP
    - Elimination of funding of approximately \$53,000 for community concerts that was added in FY 19 to support marketing, communications and increase program participation. This is intended to help offset the reallocation of the Community Information Officer.
    - Reduction of contract with Long Beach Museum of Art by \$18,450. Remaining contract amount is \$350,550.
    - Reduction of contract with the Arts Council for Long Beach by \$25,215. Remaining contract amount is \$479,085.
    - Reduction of contract with Long Beach Convention and Visitors Bureau by \$450,000. Remaining contract amount is \$4,608,676

### **New or Reallocated Revenues (Prong 3)**

Reviewing the City's revenues and maximizing cost recovery is a key part of budget planning, particularly when facing a shortfall. Below are some revenue related items that are included in the budget:

- Increase of business license tax structure for cannabis businesses as described in the sections above.
- The use of about \$4.5 million in additional Measure A funds to maintain Police and Fire services based on revenues that were previously anticipated to come in higher than projected. About \$435,000 of this is from the reallocation of the Fire's Measure A funded HEART team, as the HEART team will now be in the Health Department.
- Establish a new fee for youth sport registration of \$25 per participant per sports in the Parks, Recreation, and Marine Department. Currently, participants only pay a \$10 equipment fee. This new fee-based program will be coupled with a fee waiver program to accommodate low-income families.
- Increase Vehicle Entry fee at El Dorado East Regional Park by \$1 per vehicle.
- Increase El Dorado East Regional Park annual parking pass by \$5.
- Increase Beach Lot Parking Hourly Rate by \$.25 per 15 minutes.
- Structurally increase the Gas Fund transfer by approximately \$1.3 million (\$289,000 for CPI and \$1 million general increase). This increase is within the Measure M requirements and maintains the health of the Gas Fund funds available.
- Increase natural gas transmission rates in the Energy Resources Department. These rates have not been increased since 2016 and are 32 percent below current SoCalGas residential rates. The proposed natural gas transmission rate increase will result in an estimated increase to the average residential monthly bill of \$2.35, or an effective 10.4 percent overall increase for approximately 77 percent of ER's residential ratepayers. Even with this increase, Long Beach remains 7 percent below SoCalGas residential rates. Additional information on this can be found in the Executive Summary.
- Increase Towing fees by 8 to 17 percent to cover reduced towing volumes and additional Towing Operations costs.

The City is also engaged in a Citywide fee study that is analyzing the City's numerous fees and charges for services across various City departments. The study is anticipated to take several years with departments being evaluated on a rolling basis. In FY 20, the study began with the evaluation of the first round of services within the Parks, Recreation, and Marine, Development Services, and the Health Department. While there have been delays to the schedule due to staffing capacity as impacted by the pandemic, draft results are anticipated to be completed towards the end of FY 20 with recommendations that will be incorporated as part of the first FY 21 fee change process.



**Assistance/Contributions from Employee Groups (Prong 4)**

Across the nation, states, counties and cities are engaging their employee unions in an active dialogue about fiscal sustainability. In Long Beach, as a result of these unexpected economic circumstances, the City is seeking savings of at least \$11 million in the General Fund through employee furloughs and other additional employee contributions and savings from employee labor groups to help blunt the major cuts required to balance the budget. Eleven million in savings represents 26 days of furlough during the year, which is preliminarily included in the Proposed FY 21 Budget. These potential savings, however, are currently being negotiated and not yet finalized.

Furloughs are a one-time solution to a structural problem as it does not represent a permanent reduction in work hours or compensation. Any use of furloughs to balance the budget will shift the structural shortfall needing to be resolved to the next fiscal year. In addition, the furloughs represent a 10 percent loss of pay for many of our non-sworn employees and implementing the furloughs will likely require the closure of City services one day every two weeks, resulting in loss of service to the community and overall impact on organizational capacity by 10 percent.

However, with the cooperation and assistance from our employee groups, these potential savings generated from furloughs would provide immediate short-term relief that avoids significant layoffs, which would have a severe impact on the community and the employees. The savings from the furloughs is approximately the equivalent of saving 106 positions being cut from the budget and avoiding numerous layoffs. With the magnitude of the issues the City is facing this year with the \$30 million shortfall, the response to the pandemic, and grappling with racial equity, this support from the employee groups would be a tremendous help.

The City truly appreciates the collaboration and partnership of the employee unions, the hard work of the employees they represent, and their willingness to come to table to discuss solutions to help the City during these unprecedented times. We will continue to engage with the employee labor groups in the hopes of coming to fair and mutually beneficial agreement.

**Strategic Investment (Prong 5)**

Providing funding for strategic investments, while incurring short term costs, can have long-term benefits and savings and help avoid even greater costs in the future.

***Structural Strategic Investments***

As part of the balanced budget outcomes approach, the goals are to be able to maintain capacity to meet required local, State, federal mandates and legal requirements; to ensure adequate support staffing for front-line services and systems; and to respond to

City Council's priority requests. Below are investments included in the proposed budget to achieve these goals.

- Add funding for Grounds Maintenance needs to upkeep the newly acquired Sunnyside Cemetery, which was a Mayor and City Council priority, estimated at approximately \$301,000.
- Add an Assistant to the City Manager to provide Ethics Commission staff support, including studies, reports and consulting services for the Commission. The Ethics Commission is a newly added function per the Charter, as authorized by Measure CCC, and was a Mayor and Council priority. Actual staffing needed is likely two or three positions as well as outside contract support, but due to the fiscal challenges, one position is recommended at this time and workload will be adjusted accordingly.
- Reallocate \$150,000 from the Cannabis program to support legal services related to the Ethics Commission in the City Attorney's Office. These funds will go towards staffing monthly commission meetings, providing legal advice, preparing legal opinions, ordinances, researching City and State ethics issues and practices, and presenting such items to the Commission.
- Add 10 Administrative focused positions in the Health Department to provide the critical grants and personnel management, accounting, purchasing and procurement, and analytical support needed to adequately manage significant number of grants, particularly as impacted by the pandemic. Positions to be funded by the administrative allocation portion of various grants.
- Add an Assistant Administrative Analyst in the City Manager's Office to coordinate the California Public Records Act (PRA) process citywide and assist with other administrative functions. Pursuant to the PRA, access to information concerning the conduct of the City of Long Beach is a fundamental right. This position will help the City meet its legal obligation to make records available to any person, upon request in accordance with the law. This position will also assist with the payment and procurement process within the department.
- Reduce positions and implement reorganizations the Accounting Bureau in the Financial Management Department to generate savings to add a Grants Officer and an Administrative Analyst III in the Accounting Bureau for critically needed oversight and controls with regards to reporting for projects and grants. This position will oversee the accounting and documentation processes for FEMA, CARES Act and other State and federal grants so that the City's cost recovery claims can stand up to oversight audits.
- Add 1 Veterinarian and \$100,000 for medical supplies/pharmaceuticals budget in the Parks, Recreation, and Marine Department, to address animal medical needs and to support the Compassion Saves program mandated by the City Council.

Actual costs may exceed this amount, but this will be a significant step to align the budget with the actual need.

- Increase budget for water needs by \$336,400 in the Parks, Recreation and Marine Department to cover for the 12 percent water rate increase in 2019 as well as the anticipated 6 percent increase in 2020. This will allow the department to keep current water usage, which is still much less than actual plant need (at 54 percent of actual plant need) and to help mitigate safety issues such as urban tree failures.
- Increase budget by \$100,000 for landscape maintenance contract for medians in the Public Works Department to adequately maintain the medians at current levels of maintenance.

### ***One-time Strategic Investments***

The following are strategic General Fund one-time investments included in the proposed budget, funded with other one-time sources as well as use of reserves. Due to the significant shortfalls the City is facing in both FY 20 and FY 21, sources of one-times for strategic investments are severely limited and in this case requires the City to utilize some of the reserves, further described in the Budget Balancing section below.

- One-time funding of \$1,500,000 for both the runoff elections anticipated for November as well as the cost of a November ballot measure.
- One-time funding of \$1,172,500 to support Redistricting efforts in the City Manager and City Clerk's Office including advertising and staffing costs needed to comply with Measure DDD approved by voters, as well as support for Census efforts.
- One-time funding of \$200,000 to fund a comprehensive study for the Fire Department to analyze operations and identify a strategic plan for future reductions, changes in operations, and/or revenue increases to both identify the \$1.9 million in structural solutions in the Fire Department for FY 21, and potential future structural solutions for FY 22.
- One-time funding of \$255,000 for citywide Homeless rapid response efforts
- One-time funding of \$600,000 to supplement the water budget for plant needs in the Parks, Recreation, and Marine Department to mitigate structural underfunding of budget needed to avoid safety issues such as urban tree failures.

**Attachment D “General Fund Strategic One-time Investments”** also provides this summary.

### ***Citywide Strategic Studies***

As mentioned in various sections of this document, the City is investing in strategic studies that will begin or continue in FY 21 to help arm the City with data and information that will guide thoughtful decision making and actions to promote best practices and strengthen financial standing.

- A comprehensive study on best practices for CPCC operations and the potential for a ballot measure to implement change to their duties and authority.
- A comprehensive study for the Fire Department to analyze operations and identify a strategic plan for future reductions.
- Continue the multi-year citywide fee study analyzing the City's numerous fees and charges for services across various City departments to determine the most appropriate rates and maximize cost recovery.
- City Energy Efficiency Savings Study – evaluate the potential for a study utilizing AB 32 funding to fund capital projects that will reduce green-house-gas and save costs.

### ***Police and Fire Academies and SAFER Grant***

In FY 20, the Police and Fire academies were originally scheduled for July and August, respectively. Due to the pandemic and resulting projected budgetary deficits, staff have studied ways for the academies to be conducted safely, while simultaneously limiting the impact the academies may have on projected shortfalls. As a result, the Police Academy was moved to start in October of 2020 with a reduced academy size of no more than 40 recruits. The Fire Academy was moved to start in late September of 2020 with a reduced academy size of no more than 24 recruits. Despite the reduction to the budgeted sworn staffing levels proposed in the FY 21 budget, staff continues to recommend moving forward with these academies to invest in the critical operational needs of both departments. It is anticipated that the attrition levels will be higher than originally expected, which will potentially create vacancy savings that will allow the academies to be conducted without needing additional funding. However, if the attrition savings do not materialize, other one-time funding sources will need to be identified to cover the costs of the academies with the primary option being unallocated future Measure A revenues. This situation will be assessed during FY 21 and any use of one-time funding including Measure A funds will be brought back to City Council for review.

Investment in a Fire Academy will help staff critical Fire Department operations. However, the budgeted and actual staffing levels, while meeting operational needs, will not be high enough to meet the requirements of the Federal SAFER grant, which was awarded in September 2019. To meet the staffing levels required by the grant, the City would need to conduct a second academy in FY 21, costing an additional \$1.6 million in one-time

funds that would need to be identified and would preclude the Fire Department reductions that are necessary to address the structural shortfall situation. Trying to achieve this staffing level to secure a grant would not make financial or budgetary sense in the current fiscal situation. Receiving the SAFER grant would actually cost more than what the City would receive. This was known to be a potential issue when applying for the Grant, but as the budget situation then was not as uncertain and because the Grant could be turned down after it was awarded, it was prudent to apply for the Grant and hope for a positive budget situation. Staff intends to forego receipt of the SAFER grant to avoid higher costs and overstaffing. There is no funding that would need to be returned to the federal government as the City has not yet drawn down on the SAFER grant.

### **ALTERNATIVE BUDGET REDUCTION OPTIONS**

The size of this budget shortfall and the many needs that exist made the preparation of this proposed budget particularly difficult. The extreme difficulty of what to cut and what to include is faced by many cities and governments. While work was done to maintain services at an acceptable level, this budget still reflects the difficult decisions and tradeoffs that had to be considered to keep the City on a fiscally sound foundation and on a path of long-term stability and service delivery. These decisions were made based on looking at a variety of options and working to minimize further cuts into Public Works, Parks, Recreation and Marine, Library Services, and other departments that would have substantially and adversely impacted the quality of life in Long Beach.

Below are examples of service reductions that were considered but not included in the current proposed budget. As promised early in the budget process, this is being provided to show the City Council some of the other options that were considered and to shed light on the tough decisions that had to be evaluated when putting together the Proposed FY 21 budget. These options also provide a sense of scale of various potential reductions and the associated savings.

- **Eliminate a Paramedic Rescue** – This would result in reduced daily on-duty staffing and increased workload to surrounding rescues, while also leading to an increase in response times to medical emergencies citywide. Six budgeted positions would be eliminated with savings of approximately \$1.4 million.
- **Reduce a Paramedic Rescue to Peak Load Staffing** – This allows the Rescue to operate during times of heaviest call volume, usually during daylight hours. Six budgeted positions would be eliminated and replaced with the call-back overtime hours required to operate the Rescue for 12 hours per day. This would leave the area served without a nearby resource during nighttime hours of 8 pm to 8 am, resulting in longer response times to emergency medical incidents in that area and citywide. The savings are approximately \$881,000.
- **Elimination of Engine 17 one-year earlier** – Currently, the Measure A plan has set aside funds for 2 years of operating Engine 17 based on over-time. FY 21 is

the second year of this funding. If Engine 17 was eliminated in FY 21, \$2.4 million of Measure A funding would be freed up as a one-time source. There would be no structural savings as Engine 17 is currently funded with one-time dollars.

- **Elimination of an Engine** – This would result in reduced daily on-duty staffing and increased workload to surrounding engine and truck companies, while also leading to an increase in response times to fire and medical emergencies, citywide. 12 budgeted positions would be eliminated with savings of approximately \$3 million.
- **Eliminate the South Division Pine Police Overtime Program** – The Police Department is budgeted \$725,000 to provide additional patrol units in the Downtown Entertainment District with special emphasis on Pine Avenue. This appropriation supports approximately 8,000 hours of overtime. Eliminating this would be the equivalent to approximately four Police Officers with a savings of approximately \$725,000.
- **Reduce the Gang Enforcement Unit** – The Police Department operates a Gang Enforcement Unit to respond, investigate, arrest and charge criminal activities related to gang activity. This unit is currently budgeted with 16 sworn positions. Any reduction to this Unit will impact the available sworn staff who may respond on an on-call basis to shootings, stabbings and other violent crime. Each position cut would save approximately \$233,000.
- **Eliminate Quality of Life Program** – Eliminate four Police Officer positions assigned to the Quality of Life Program and one officer position that is being requested to convert to a QOL sergeant position. There are four police officers funded by Measure MA and Measure A funds to perform quality of life outreach and enforcement services to persons experiencing homelessness. These activities will be required to be handled by other departments. General calls-for-service police officers will serve as the available positions should enforcement requests be needed. Five budgeted positions would be eliminated with savings of approximately \$956,000.
- **Reduce funding for Animal Care Services** – Elimination of an Animal Services Operations Supervisor would eliminate one of two supervisor positions in Animal Care Services, with the remaining supervisor needing to oversee both Field Services Operations and Shelter Operations. Elimination of three Animal Control Officers would impact work and coverage in dispatch, field, investigation and clerical. Four budgeted positions would be eliminated with savings of approximately \$296,000.
- **Reduce funding for encampment cleanups and outreach for people experiencing homelessness** – This would eliminate the Health Department's ability to respond to the clean-ups of homeless encampments and could negatively impact the health of the public as well as people experiencing homelessness (PEH), especially during the COVID-19 pandemic. Furthermore, this cut will reduce

outreach incentives such as food items, hygiene kits, and other basic necessities, resulting in a decrease in the number of participants seeking services at the Multi-Service Center. Additionally, the City will not be able to fully fund the annual, mandated point in time (PIT) homeless count, which would limit the City's ability to recruit and deploy enough volunteers to conduct the count effectively. This could lead to a misrepresentation of data, and ultimately a reduction in homeless grant funding for the City. This reduction would be a savings of about \$80,000.

- **Eliminate services for disabled and homebound patrons and volunteer service programs at Main Library** – This reduction would include the Center for Adaptive Technology and volunteer service programs. There would be a loss of volunteer hours and the library would cease to be a repository for government publications. A 0.65 budgeted position would be eliminated with savings of approximately \$215,000.
- **Close all branch libraries except for Main, Obama and Twain Libraries** – The three remaining libraries would become flagship libraries that would have enhanced services, open seven days a week. Approximately 17 budgeted positions would be eliminated with a savings of about \$1.7 million.
- **Close four branch libraries** – Potential closure of four branch libraries. Approximately 18 budgeted positions would be eliminated with a savings of about \$1.7 million.
- **Elimination of various Parks programming such as Be SAFE structural funding, summer swim programs, and the adaptive program at Stearns Park.** – The reduction of \$80,000 of structural funding for three Be SAFE sites that was in place in 2017 would make the entire program reliant on annual one-time funding. Lack of one-time funding would likely result in the reduction or elimination of the entire program. The elimination of the summer swim programs at Jordan and Millikan School Pools would include swim lessons, recreational swim, and lap swim. Last summer the daily average use was approximately 178 participants. 0.97 budgeted positions would be eliminated with savings of approximately \$38,000. The elimination of the Adaptive Recreation programs for youth and adults with high functioning disabilities would impact the opportunity program participants are provided to develop music and art abilities, improve fitness levels and sports skills, and enjoy social interaction in the community. In FY 19, the program served over 6,000 participant activity instances, with Long Beach being one of the few cities to offer social integration programming for individuals with disabilities. Two budgeted positions would be eliminated with savings of approximately \$105,000. All together, these items would result in savings of approximately \$223,000.
- **Further Reduce Financial Management Positions** – Reduce additional positions that would significantly reduce basic accounting and customer service capacity. This would result in a significant and risky reduction in controls and financial oversight, impacting basic analysis and potentially revenue

generation. The reductions not taken include project and grant accounting positions that could lead to problems with tracking the status of projects and their associated grants, and potentially result in the City needing to return funds back to the remitting agencies (Prop A, Prop C, grants, etc). The Department of Financial Management already has one of the largest reductions this year, saving a net \$1.3 million in the General Fund. The ability to perform financial administrative tasks and service customers is already somewhat impacted; these additional reductions would have significantly further impacted financial controls and the quality and timeliness of financial reporting and customer service.

- **Reduce Graffiti Program** – Reduce the five crews currently contracted to abate graffiti citywide to three crews. The remaining crews would provide for weekday service and continue with one crew on the weekends. Each crew abates on average about 13,200 sites annually. Response time would increase from 1-2 days to 3-5+ days (95 percent of the time). Approximately 26,400 sites of abatement would be reduced. This would be a savings of approximately \$350,000.
- **Reduce Tree Trimming Contract by 50 percent** – Reduce the budget available to spend on the tree contractor by 50 percent. Reducing the tree trimming services budget will lower the number of trees trimmed annually by the contractor from approximately 15,000 to 7,500. The reduction will extend the tree trimming cycle from six years to twelve years. Extending the tree trimming cycle will increase the number of emergency call-outs. Also, the number of clearance trims will increase primarily for street light safety, traffic sign visibility, and vehicle and pedestrian path of travel. Reducing tree trimming activities will likely increase the number of liability claims filed with the City Clerk and eventually awarded. This would be a savings of approximately \$500,000.
- **Reduce street/pothole repairs** – Reduce the number of pothole crews from four crews to two crews. Currently potholes are filled between 18-30 days after notification, with faster response times on arterial streets with safety concerns. If the number of crews is reduced to two, there would be an approximate 65 percent reduction in the number of potholes filled. Currently the average annual number of potholes filled is 30,000 and would be reduced to approximately 10,500 annually. The efficiencies of the current grid-based crew assignments would be lost as two crews have to cover a larger territory to address City Council and resident requests, and safety concerns. Response times would lengthen to 70 days or more and the pothole backlog would increase. The Street Operations backlog is approximately 9,000 service requests. These positions also support emergency response, special events, weed abatement and City Council and resident requests. Eight budgeted positions would be eliminated with a savings of approximately \$485,000.
- **Reduce Park maintenance funding.** Reduce various park maintenance funding, such as a reduction in contractual services for facilities maintenance related to safety repairs in the Parks, Recreation and Marine Department. A 60 percent



reduction of this budget will impair the department's ability to address safety needs related to roofing, concrete, pothole repairs, playground resurfacing, skate park repairs, and fire alarm system inspections & repairs. This reduction could lead to unsafe parks and facilities, as well as impact deferred maintenance leading to costly repairs in the future. This would save approximately \$90,000. Another example is the reduction of playground equipment replacement funding. The City continues to upgrade and install new playgrounds through Measure A funding. Many of the elements are not holding up to the wear and tear due to usage and are not covered under the manufacturer's warranty. Once the remaining budget is depleted, staff will board up and remove deteriorated/damaged slides and equipment, taking away from the public's ability to fully utilize the equipment. This will save \$75,000.

- **Reduce budget in the Facilities Division for carpentry, paint, plumbing, building materials, small tools, equipment and welding supplies by 32 percent** – Carpentry reductions will reduce the ability to board up broken windows, doors, secure buildings, and repair fencing and benches. Staff will be unable to render these areas safe leaving the parks at risk for vandalism, theft and other illegal activities. Painting reductions will lead to unsafe sports courts due to cracks and chipping and will continue to deteriorate and increase future costs. Electrical reductions will not allow for the use of brighter, energy efficient bulbs that save energy. Plumbing supply reductions will result in fewer available drinking fountains, toilets, and sinks as the old ones become rusted or damaged at parks and community centers and are removed. This would save approximately \$131,000.
- **Reduce pumps and lake permits contractual services in Grounds Maintenance** – Reduce budget in the Grounds Division for contractual services by 46 percent related to pumps, lake permits, environmentally sensitive area maintenance, compliance management and biological surveys. This funding serves to supplement the shortfalls in budgeted contractual services. An example can be found in the structural funding for pump repair which is \$25,000 annually. Due to antiquated equipment, the funding need regularly outpaces the structural budget. This reduction will minimize the ability to repair pumps and apply for California Department of Fish and Wildlife and Waterboard permits. This would save approximately \$100,000.
- **Increase Parking Citations Fines** – Increase parking citations fines by \$5. A preliminary estimate of the additional revenue is over \$900,000. While this is technically not a reduction, it reflects a cost impact to the community and would be a significant burden on residents who are already impacted by the pandemic.

### **UNFUNDED OPERATIONAL NEEDS**

No budget can address all the needs or services that are wanted by the wide variety of constituents and businesses in a City. What is funded is always limited by the available

resources, the amount of resources the voters wish to provide, and then allocated to services by the budget. This budget year with the pandemic, the need to address racial equity and reconciliation, and the major budget shortfalls has been particularly difficult to address.

There remain numerous operational needs that are unfunded or underfunded, including funding for some priority initiatives requested by the City Council. Again, this reflects the difficult choices and tradeoffs that need to be considered when working to address the needs of the community, the City, and address a significant shortfall. The list below provides examples of underfunded needs and projects.

- **Impact of using alternative weed control in City parks** – In August 2018, the City Council moved forward with the recommendation to discontinue the use of glyphosate (Round-up), an herbicide, and develop more sustainable weed control strategies. Since then, strategies have shown that alternative herbicides are less efficacious (more frequent applications and less vegetative control) and more expensive per treatment. In order to achieve the horticultural standard set in the City's landscape/grounds maintenance contracts, additional labor and increased materials are needed to accomplish what was previously done using glyphosate. The additional cost is estimated at over \$480,000. The proposed budget could not support this additional cost and the cost will be absorbed within parks maintenance with the likely result of more weeds, including on curbs and a lower level of overall parks maintenance.
- **Additional Animal Care control medical costs** – the proposed budget includes an enhancement of approximately \$300,000 for a Veterinarian position and materials funding to support the "Compassion Saves" program. However, the funding required to fully support program requirements to increase the number of animal spayed/neutered by 3,000 annually and to cover the increasing cost of medical supplies and pharmaceuticals, is estimated at an additional \$400,000.
- **Structural Funding for Engine 17** – The engine is currently funded per the Measure A spending plan approved in FY 20. It was funded using Measure A funds for two years and FY 21 is the second and last year of funding. It was hoped that with the federal SAFER grant, along with an unspecified source of an additional \$2 to \$2.5 million, the engine could be funded through FY 23. However, since the time of the original SAFER application, it has become clear that the cost to maintain the staffing level required of SAFER does not make financial or budgetary sense in the current environment – getting the SAFER grant would actually cost more than what the City would save. Staff intends to forego receipt of the SAFER grant for that reason, and Engine 17 remains unfunded past FY 21, unless additional funds are identified in future budgets.
- **Armory Maintenance Costs** – Fund for property maintenance costs associated with the Armory site is currently unfunded. The Economic Development Department is responsible for this site and requires funds to provide security,

utilities, landscaping, and general upkeep of the property. An estimated \$340,000 is needed to prevent disrepair of this community asset and to ensure the site does not become an attraction for nuisance activities. The Department is looking for alternative solutions and this will be revisited later in the year.

- **Fireworks enforcement taskforce** – This year, Long Beach, along with many other cities, saw a major increase in the use of illegal fireworks. As a result, the City Council has directed staff to create an Explosives and Fireworks Action Plan to address the illegal use of fireworks and explosives in Long Beach. This effort will require additional staffing across various departments for various education and enforcement and technology costs currently estimated at \$500,000.
- **Additional Ethics Commission support** – In November 2018, Long Beach voters approved Measure CCC, which created in the City Charter an Ethics Commission for the purpose of monitoring, administering, and implementing governmental ethics in the City. The Commission was established without a formal budget. A recent City Auditor audit on ethics made recommendations that would likely require two to three full-time staff, support from the City Attorney and potentially outside counsel, and a training budget, for full implementation. This proposed budget adds one position in the City Manager's Office and reallocates \$150,000 from within the City Attorney's Office to support this commission but full implementation of the recommendations remain underfunded.
- Additionally, throughout the year, City Council requests staff to report back and/or provide information on various projects and priorities to potentially implement. Many of these projects and priorities do not have full funding. See the list below for examples of these larger scale projects that have been requested by City Council but have costs that remain unfunded. For more information on the specific requests and dollar amounts, please refer to the To/From/For memos provided by the City Manager to the Mayor and City Council during the FY 20 year:
  - Everyone in Implementation
  - Long Beach Justice Fund
  - Compassion Saves additional implementation
  - Safe Streets action plan implementation
  - Youth Strategic Plan implementation
  - Street Performer Study implementation
  - Red Curb Study Implementation
  - North Long Beach Higher Education Center implementation
  - Contracting in all security services
  - On-call storage plan for homeless services
  - Construction funding for the African American History Museum
  - Land Use Element Implementation
  - Long Beach One Card Implementation
  - Public Banking

## **UNFUNDED LIABILITIES**

In addition to unfunded and underfunded operational needs as described in the section above, there remain important unfunded short-term and long-term liabilities most of which are long-standing. Below are examples (not a comprehensive list) of these liabilities:

- **Structural Balancing of the Budget** – As described in the main City Manager’s budget message, this budget is balanced using a combination of structural (permanent) reductions and revenue enhancements, along with about \$14 million of one-time funding, mostly from anticipated furloughs. This adds \$14 million in structural solutions that need to be resolved in FY 22 in addition to the anticipated shortfall for FY 22. The intent is to find the structural reductions, revenue enhancements and adjustments needed to structurally balance the budget in FY 22, or at worst by FY 23. See comments below on the Future Outlook and Plans for more detail.
- **Major infrastructure maintenance and facility improvements** – In terms of infrastructure needs, the City has been conducting studies to ascertain the level of funding needed to repair and/or maintain infrastructure. Sidewalk assessment, road and street condition, and alley assessment studies have all been recently completed and a facilities condition assessment is currently underway.
- **Sidewalk ADA Compliance** – The City entered into a consent decree for substantial expenditures over the years to ensure ADA compliance for sidewalks. This will be built into the Sidewalk Management Plan (below). The distinction is that the ADA expenditures must be made independent of the City’s financial condition. The City can control the timing, but care must be taken in doing that so that residents in the future are not unduly burdened with costs.
- **Sidewalk Management Plan** – The City recently completed a comprehensive review of the City’s sidewalk infrastructure. This plan found a need of over \$631 million (includes ADA curb ramps) for investment in the City’s sidewalks.
- **Tree Trimming Cycles** - The City's tree management program for parks consists of emergency trimming for safety purposes only, mainly around buildings and playgrounds. The standard of arbor care indicates that regular grid trimming will enhance the longevity and safety of the urban forest. An annual funding increase of \$560,000 is needed to support a five-year tree trimming cycle to maintain healthy trees in City parks. In addition, street tree trimming is on a 6-year cycle. Going to a 5-year cycle would require an additional \$350,000 a year.
- **Plant water needs** – The proposed budget includes an enhancement that increases water budget for plant needs to account for the water rate increase. With this increase, the budget remains at 54 percent of actual plant need. Approximately \$1.5 - \$2 million of additional structural funding would be needed to fully address the water needs and safety issues, such as urban tree failures.

- **Self-insurance funding and General Liability** – The General Liability and Workers Compensation self-insurance funds need additional funding to meet actuarial estimates. In particular, the General Liability Fund needs major adjustments. A major adjustment to General Liability was included in the FY 21 budget, but it is not clear whether the adjustment will be adequate or not. More analysis on both these funds will need to be done for FY 22.
- **Funding the Cost of oil well abandonment** – The City receives revenue from oil wells. As a result, under State law, the City has a fiduciary responsibility to ensure all oil wells within its jurisdiction are properly abandoned at the end of the life; that is an annual cost of operating the oil wells and deriving revenue from them. Currently, the annual cost of creating the necessary oil abandonment reserves is \$5.9 million for the Tidelands Fund and \$1.3 million for the Uplands Oil Fund. Due to the steep decline in oil prices and its impact to net oil revenues, the unfortunate recommendation is to not pay into the oil abandonment reserves for FY 20 and FY 21 and potentially only partially in FY 22. This practice helps preserve operations in the Tidelands and the General Funds but pushes these costs to future budgets and to residents in the future.
- **Pension and other post-employment benefits** – Long-term pension liabilities are a major concern. The impact of the pandemic on investment returns is anticipated to have a negative impact on pension funding needs, but the full impact of this is not yet known and will be closely monitored.
- **Implementation of the Climate Action and Adaptation Plan (CAAP)** – The CAAP concludes that daily flooding due to sea level rise could cost the City an additional \$26 million in damage to transportation infrastructure on an annual basis by 2030. Other aspects of climate change also are damaging. The CAAP identifies steps the City could take but total costs are very high and are not funded.
- **Preparation for the 2028 Olympics** – the City has committed to 8 important infrastructure investments to support its role hosting the Olympics in 2028. The City has been awarded key sports events including: Handball, Triathlon (Olympic and Paralympic), Marathon Swimming, BMX Racing, Water Polo, and Sailing. The eight projects (and initial estimated costs) are as follows – Belmont/Veterans Pier Rebuild (City funded - \$25 million gap); Belmont Pool (City funded, \$20 million gap); Lifeguard Towers (City funded, \$1.5 million gap); Beach Concession Stands (City funded – underway, fully funded); Arena Improvements (City and Private funded, \$50 million gap); Pine & Ocean Hotel (Private Funded w/ city tax incentives assisting); Airport Improvements (Airport funded, status uncertain); Metro Blue Line Improvements (Metro and City funded; completed in 2019). There is also expected one-time City hotel/convention center revenue loss from the Olympics that ideally should be funded in advance. Reserves that could have been used for the Olympics may need to be spent down over the next few years to deal with the current financial and budget crisis.

## **BUDGET BALANCING AND FUTURE OUTLOOK**

### ***General Fund***

The City had a \$30 million shortfall in the General Fund to solve for FY 21, the largest shortfall the City has had to resolve in recent history. The Proposed FY 21 budget resolves the shortfall and balances the budget through combination of structural solutions (\$16.6 million) and one-time funding strategies (\$13.9 million). Given the level of uncertainty that exists with the economy and future, and the negative implications to the community of more severe service reductions, the use of one-time funds is a recommended strategic element for balancing FY 21. It is the first step of a multi-year strategic process of evaluating and prioritizing City services and creating the time and space to do this in a thoughtful way.

City departments generated a net \$16.3 million in savings through a combination of reductions, revenues, reallocations, and enhancements. However, about \$1.9 million of these annual savings are not expected to be realized in FY 21, due to expected delays in implementation of some reductions, e.g., some reductions will require a Prop L study before implementation. A Prop L Study is a Charter requirement before some services can be contracted out. These delays are factored into the budget. Additional solutions were generated from increasing the cannabis business license tax (as previously authorized by the voters) and savings from reductions in internal service departments (i.e. Technology and Innovation Department and Fleet Services Bureau) that generated lower charges to the General Fund – all totaling about \$2.2 million. The City is also seeking assistance from the employee labor groups through the implementation of furloughs or other solutions to help generate at least \$11 million for the General Fund. Finally, the City is proposing to utilize \$2.9 million in reserves to fully balance the budget.

The proposed budget also includes allocations for critical strategic one-time investments for items such as redistricting and homelessness rapid response. As it is not anticipated that there will be any surplus funds at the end of FY 20 to support these one-time needs, this budget assumes the need to draw down on an additional \$3.3 million of reserves.

In total, the anticipated use of reserves to balance the structural shortfall and cover one-time critical needs is \$6.1 million. Currently the City's operating reserve has \$13.5 million (including \$1.7 million in the Measure B Budget Stabilization Reserve) and the Emergency Reserve has \$45.5 million. It is anticipated that some of these funds may be needed to help resolve the FY 20 shortfall as well. It is uncertain at this time how much of the reserves will be available at the beginning of FY 21. The proposed use of these reserves is only due to the unprecedented situation as exacerbated by the pandemic, the magnitude of service reductions to the community that would have been needed in one year, and the significant level of uncertainty in knowing how the economy will respond to events in the short and long-term.

Table 1 below shows the General Fund budget outlook for the next four years, which includes estimated impact of the pandemic on revenues and potential cost of living wage

increases for employees, which will be revised based on actual negotiated employee contracts. This outlook shows significant challenges ahead and the need for the City to be proactive in its strategic planning. The City Manager and City staff will be working on strategies and solutions throughout FY 21 to prepare for the future.

| Table 1: General Fund Surplus / (Shortfall) in \$ Millions* |                   |                     |                     |                     |       |
|---|-------------------|---------------------|---------------------|---------------------|-------|
|   | FY 21<br>Proposed | FY 22<br>Projection | FY 23<br>Projection | FY 24<br>Projection | Total |
| <b>Surplus/(Shortfall)</b>                                  | -                 | (32)                | (23)                | (22)                | (76)  |

\* This chart assumes that any shortfalls are structurally solved each year.  
 \*\* FY 22 figures include approximately \$14 million shortfall from FY 21 that was balanced with one-times

As is always the case with projections, the outlook will change over time as more information becomes known. This year in particular, there is even greater uncertainty as the status of the pandemic and its lasting impact on the economy is unknown. Additionally, there is the possibility of Federal and/or state support that could provide relief and supplemental funding for the City that could both address resident and business needs for assistance as well as offset lost revenue to the City and allow it to better provide services. This outlook does not factor in these potential relief packages due to their substantial uncertainty both as to whether they will materialize, what the requirements and restrictions would be, and what special resident and business needs there will be at the time. The situation will be carefully monitored and if federal or State funding becomes available, the budget can be modified.

The Executive Summary chapter further describes the budget balancing strategies as well as provides details on the General Fund revenue and expense drivers and trends.

### ***Special Advertising and Promotions Fund***

The Special Advertising and Promotions Fund Group (SAP) has been severely impacted by the pandemic, as Transient Occupancy Tax (TOT) is the fund's main source of revenue and is experiencing severe losses with the shut-downs and dramatic slowing of the tourism industry. TOT revenue has historically been incredibly volatile and has demonstrated slow recovery in past downturns and recessions, not returning to previous revenue levels for many years. The City is currently facing these challenges and risks. In the FY 20 projections, the Fund started with approximately \$5.5 million in funds available and is projected to end the year at a negative \$500,000 if no action is taken. This would require dipping into the \$5.2 million operating reserve to balance the year. With current projections showing continued impact of the pandemic on revenues into FY 21 and FY 22 despite some recovery and growth, the situation could deplete all the remaining operating reserves by FY 22 or FY 23 with no backup funding sources remaining. To begin to address this serious situation in SAP, the FY 20 one-time projects are being evaluated to see what could be defunded to generate savings. Any recommendations will

be brought to City Council. The Proposed FY 21 Budget also includes about \$850,000 in reductions that are necessary to start scaling back costs during this downturn, and there will likely need to be further reductions in future years. Even with additional sizeable budget reductions in future years, given current revenue status, the projections still anticipate a rapid decline in funds available and the City will need to very closely monitor the situation and maximize any opportunity to generate savings or preserve funding.

### ***Tidelands Operating Fund***

The Tidelands Fund has also been severely impacted by the pandemic with heavy losses in oil revenues in FY 20. In an historic event, the prices of oil even went negative for one day. With an assumed price of oil at \$35 per barrel in FY 21, projected revenues are still 30 percent lower than the FY 20 adopted budget levels. In addition, the Tidelands Operating Fund is likely to need to pay some previously unanticipated debt service on one or more bond issues that would normally be covered by other sources such as rent paid by the City's Aquarium and Passenger Fees from Carnival Cruise Lines. These operations are all experiencing significant revenue declines as a result of the pandemic. In addition, the temporary closing of the Convention Center due to the pandemic is expected to cost the fund over \$5 million in FY 20 and at least \$2.5 million in FY 21. To assist in mitigating these losses, staff is evaluating actions for any one-time savings from projects and operations that can be taken in FY 20 and is proposing a reduction of \$2.8 million in FY 21. Even with these actions, it is anticipated that the fund will need to draw down on some of its reserves. This combination of structural reductions and use of reserves (a "one-time" action) is recommended, as oil prices are assumed to slowly increase and the fund is projected to generate more revenue than expenses in future years. There are still many uncertainties and staff will continue to closely monitor the health of this fund.

More information on these funds and the status of key other funds can be found in the Executive Summary Chapter.

## **CITY BALLOT MEASURES**

In recent years, Long Beach has been very fortunate that voters have approved several measures, which support City services. To increase transparency on how those dollars are spent, this section specifically discusses the ballot measures and how the funds are being used.

### ***Measure A (2016) – Long Beach Transactions and Use Tax***

Measure A is a ballot initiative, approved by 60 percent of Long Beach voters on June 7, 2016, which added a transactions and use (sales) tax for a period of ten years. Beginning January 1, 2017, Measure A effectively increased sales tax by 1 percent for the first six years. After six years, and for the remaining four years, the tax increase is reduced to 0.5



percent. Measure A sunsets after 10 years. Recently, an extension to Measure A was approved on the March 3, 2020 ballot, which eliminated the 10-year sunset and keeps Measure A in effect until voters decide to end it at a later election. This new adoption authorizes the City to continue the additional sales tax beyond 2027, generating revenues at a maximum annual rate of one cent (1%) per the measure, until ended by the voters. The new dollars approved by voters in March 2020 do not begin to be realized until 2023, so these funds are not part of this budget.

Although Measure A is a general tax to fund City services, the City Council's intent is to prioritize spending of Measure A funds for the following purposes:

- Public Safety, including the costs of providing Public Safety services, consisting of: police patrol, response, investigation, apprehension and law enforcement, emergency 9-1-1 response, fire prevention and suppression services, paramedic services, and ambulance services.
- Public Infrastructure, including the costs of improving and maintaining streets, sidewalks and alleys, improving and upgrading the City's water system for conservation, and improving, upgrading storm water/storm drain systems and public facilities, including parks.
- As part of the measure to extend the tax, support for community health services related to the reopening the Long Beach Community Hospital was added to the resolution prioritizing Measure A funds.

In FY 21, an additional \$4.5 million of anticipated higher Measure A revenues was used for the maintenance of public safety, bringing the total Measure A funds used to maintain police and fire operations to \$26.4 million. This increase is made up of \$4.1 million that was previously anticipated and the remaining amount from the reduction of the HEART team out of the Fire Department to realize savings to the General Fund. This funding for maintenance is the equivalent to about 143 sworn positions, along with 40 public safety positions (37 sworn) that have already been added in prior budgets to enhance services to the community. In addition to the maintenance and enhancement to public safety, \$1.0 million is obligated for the Community Hospital reopening and \$18.5 million is allocated for infrastructure, including \$1.6 million for the new Station 9 facility, among other projects. Attachments G – J as outlined below provides additional summaries of Measure A revenue and spending plan.

- Attachment G – Measure A FY 21 Sources and Uses
- Attachment H – Measure A Infrastructure Project List
- Attachment I – Measure A Five-Year Infrastructure Update
- Attachment J – Measure A Outyear Plan and Allocations

### ***Measure B (2016) – Budget Stabilization Fund***

Measure B is a companion ballot initiative to Measure A. Approved by Long Beach voters on June 7, 2016, Measure B established a budget stabilization fund. The fund receives

automatic deposits/transfers of one percent of any new general tax revenues generated each year, commencing with FY 17.

Table 2 below summarizes the amounts set aside in the Measure B Rainy Day Fund by year from Measure A and Measure MA since its inception as well as the projected increases in FY 20 and FY 21. As of the end of FY 19, there is approximately \$1.7 million in the reserve. For FY 20 and FY 21, the figure below represents the estimated one percent; however, due to the revenue shortfall projected for FY 20 as impacted by the pandemic, it appears that this automatic deposit may not be made. As this is a relatively new Measure and a unique situation, this is being evaluated by staff and will be brought to City Council with additional information on the funding of and/or potential use of Measure B funds.

| Table 2: Measure B Rainy Day Fund Reservations |                   |                   |                   |                    |                    |                         |
|--|-------------------|-------------------|-------------------|--------------------|--------------------|-------------------------|
|  | FY 17<br>Actual   | FY 18<br>Actual   | FY 19<br>Actual   | FY 20<br>Projected | FY 21<br>Projected | Total by Tax<br>Measure |
| Measure A                                      | \$ 389,231        | \$ 615,439        | \$ 663,679        | \$ 565,697         | \$ 626,881         | \$ 2,860,927            |
| Measure MA                                     | 1,539             | 16,452            | 38,893            | 68,917             | 85,851             | 211,651                 |
| <b>Total Reserved</b>                          | <b>\$ 390,770</b> | <b>\$ 631,890</b> | <b>\$ 702,572</b> | <b>\$ 634,614</b>  | <b>\$ 712,732</b>  | <b>\$ 3,072,578</b>     |
| <b>Total Reserved<br/>without FY 20</b>        | <b>\$ 390,770</b> | <b>\$ 631,890</b> | <b>\$ 702,572</b> | <b>\$ -</b>        | <b>\$ -</b>        | <b>\$ 1,725,232</b>     |

Through FY 21, the projected Measure B reserves could be as low as \$1.8 million to as high as \$3.1 million depending on what is reserved in FY 20 and FY 21, assuming current revenue projections. This does not account for potential uses of reserves in either of those years. Measure B funds may be used to pay for City operations and services that might otherwise be reduced in scope, suspended or eliminated due to unanticipated shortfalls in General Fund revenues, whether caused by economic recession or other financial hardship of the City. Measure B defines what a financial hardship is and how much of the “rainy day” fund can be used in any given year. With the shortfall and financial hardship the City is facing in FY 20, it is possible that some of these Measure B funds may be utilized to help resolve any shortfall at the end of FY 20 as well as to maintain services in FY 21.

### ***Measure MA (2016) – Business License Tax on Cannabis Businesses***

Measure MA is a ballot initiative, approved by 68 percent of Long Beach voters on November 8, 2016, which established a business license tax on cannabis businesses. Measure MA was approved by the Long Beach voters at the same time as Measure MM, which authorized medical cannabis businesses. On July 10, 2018, the City Council passed the Adult-Use Cannabis Business Ordinance that authorized recreational (adult-use) cannabis businesses in Long Beach.

Measure MA set a gross receipts tax for retail sales of both medical and adult-use cannabis. In addition, Measure MA established separate tax rates for the cultivation,

processing, testing and distribution of cannabis in the City. Initially, cannabis business license tax rates were set as follows:

| <b>City of Long Beach - Cannabis Business License Tax Rates</b> |                      |             |                   |
|---|----------------------|-------------|-------------------|
| <b><i>Initial Measure MA Rates</i></b>                          |                      |             |                   |
| <b>Business Type</b>  | <b>Medical/Adult</b> | <b>Rate</b> | <b>Per</b>        |
| Dispensary  | Medical              | 6%          | Gross Receipts    |
|   | Adult-Use            | 8%          | Gross Receipts    |
| Cultivator  | Both                 | \$12        | Sq. Ft. of Canopy |
| Manufacturer  | Both                 | 6%          | Gross Receipts    |
| Distributor   | Both                 | 6%          | Gross Receipts    |
| Testing Laboratory  | Both                 | 6%          | Gross Receipts    |

Pursuant to Section 3.80.261 of the LBMC, the City Council has the authority to increase or decrease cannabis tax rates by ordinance, subject to the maximum and minimum rates approved by voters. Such a change does not require voter approval under Article XIII C of the California Constitution. On December 3, 2019, City Council exercised this authority by reducing cannabis business license tax rates for Manufacturers, Distributors and Testing Laboratories. The table below includes a summary of current cannabis business license tax rates, as well as the maximum and minimum rates allowable under the LBMC.

| <b>City of Long Beach Cannabis Business License Tax Rates</b>  |                           |                |                |                              |
|--|---------------------------|----------------|----------------|------------------------------|
| <b><i>Maximum, Minimum and Current Rates</i></b>   |                           |                |                |                              |
| <b>Business Type</b>   | <b>Medical/Adult- Use</b> | <b>Current</b> | <b>Maximum</b> | <b>Minimum<sup>(1)</sup></b> |
| Dispensary   | Medical                   | 6%             | 8%             | 0%                           |
|  | Adult-Use                 | 8%             | 12%            | 0%                           |
| Cultivator   | Both                      | \$12/sq ft     | \$15/sq ft     | \$0/sq ft                    |
| Manufacturer   | Both                      | 1%             | 8%             | 0%                           |
| Distributor  | Both                      | 1%             | 8%             | 0%                           |
| Testing Laboratory   | Both                      | 1%             | 8%             | 0%                           |
| <i>(1) Pursuant to Measure MA, Cannabis businesses are required to pay a minimum flat tax of \$1,000 per year.</i> |                           |                |                |                              |

The City Manager's Proposed FY 21 Budget recommends adopting the following cannabis business license tax rates:

| <b>City of Long Beach - Cannabis Business License Tax Rates</b> |                      |             |                   |
|---|----------------------|-------------|-------------------|
| <b><i>FY 21 Proposed Measure MA Rates</i></b>                   |                      |             |                   |
| <b>Business Type</b>  | <b>Medical/Adult</b> | <b>Rate</b> | <b>Per</b>        |
| Dispensary  | Medical              | 7%          | Gross Receipts    |
|   | Adult-Use            | 9%          | Gross Receipts    |
| Cultivator  | Both                 | \$12        | Sq. Ft. of Canopy |
| Manufacturer  | Both                 | 1%          | Gross Receipts    |
| Distributor   | Both                 | 1%          | Gross Receipts    |
| Testing Laboratory  | Both                 | 1%          | Gross Receipts    |

The proposed tax structure includes a 1 percent increase in the rate applied to medical and adult-use retail sales, which would increase to 7 percent and 9 percent, respectively. Staff recommends holding all other cannabis business license tax rates flat, to keep Long Beach competitive with other cannabis markets in California. This includes the City of Los Angeles, which charges a 1 to 2 percent tax on non-retail cannabis businesses.

Although this will place Long Beach at a higher level of taxes, the rates will generally be competitive as the chart below indicates. At a tax rate of 7-9 percent gross receipts on cannabis retail, the City of Long Beach would charge a higher dispensary tax rate than some neighboring jurisdictions, including Santa Ana, (6-8%), Costa Mesa (6%), Bellflower (5%) and Culver City (5-6%). However, under the proposed rate structure, Long Beach taxes would remain below some other jurisdictions in LA County, including Los Angeles (5-10%), Carson (18%), and Maywood (10%). Other jurisdictions in California with higher cannabis retail tax rate structures include San Jose (10%), Fresno (10%), Oakland (5-10%), and Stockton (5-10%). The table below provides a more detailed comparison of cannabis retail business license tax rates, broken out by region and population:

| COMPARABLE CITIES BY REGION |           |           |      |
|-----------------------------|-----------|-----------|------|
| City                        | Pop.      | Retail    |      |
|                             |           | M         | A    |
| Long Beach                  | 478,561   | 6%        | 8%   |
| Los Angeles                 | 4,054,400 | 5%        | 10%  |
| Santa Ana <sup>(1)</sup>    | 338,247   | 6%        | 8%   |
| Pomona                      | 155,687   | up to 6%  |      |
| Pasadena                    | 144,388   | 4%        |      |
| Costa Mesa                  | 115,296   | 6%        |      |
| Carson                      | 93,799    | 18%       |      |
| Bellflower                  | 77,682    | 5%        |      |
| La Puente                   | 40,686    | 10%       | N/A  |
| Culver City                 | 39,860    | 5%        | 6%   |
| West Hollywood              | 36,723    | 0%        | 7.5% |
| Maywood                     | 28,044    | up to 10% |      |
| Malibu                      | 12,957    | 0%        | 2.5% |

| COMPARABLE CITIES BY POPULATION |           |        |          |
|---------------------------------|-----------|--------|----------|
| City                            | Pop.      | Retail |          |
|                                 |           | M      | A        |
| Long Beach                      | 478,561   | 6%     | 8%       |
| San Diego                       | 1,419,845 | 0%     | 5%       |
| San Jose                        | 1,051,316 | 10%    |          |
| San Francisco                   | 883,963   | 0%     | 2.5 - 5% |
| Fresno                          | 538,330   | 10%    |          |
| Sacramento                      | 501,344   | 4%     |          |
| Oakland                         | 428,827   | 5%     | 10%      |
| San Bernardino                  | 221,130   | 6%     |          |
| Stockton                        | 315,103   | 5%     | 10%      |
| Santa Rosa <sup>(1)</sup>       | 178,488   | 0%     | 3%       |
| Salinas                         | 161,784   | 5%     |          |
| Santa Clara <sup>(1)</sup>      | 129,604   | 5%     |          |
| Berkeley                        | 121,874   | 2.5%   | 5%       |

Under the proposed tax rate structure, with a 7-9 percent tax on retail, staff estimates that Measure MA will generate a total of \$8.6 million in General Fund revenues in FY 21. This is approximately \$800,000 higher than revenue projections under current Measure MA rates, which assume a 6-8 percent tax on cannabis retail. The table below summarizes FY 21 cannabis revenue projections under the current and proposed rate structure:

| City of Long Beach - General Fund Revenues               |                   |                                       |  |
|--|-------------------|---------------------------------------|--|
| FY21 Cannabis Revenue Projections (as of April 14, 2020) |                   |                                       |  |
| Business Type  | Tax               | FY21 Estimated<br>(Current Tax Rates) | FY21 Estimated<br>(Proposed Tax Rates) |
| Dispensary   | Gross Receipt Tax | \$ 6,016,144                          | \$ 6,817,384                           |
| Cultivator   | Sq. Ft. Tax       | \$ 1,492,623                          | \$ 1,492,623                           |
| Manufacturer   | Gross Receipt Tax | \$ 76,000                             | \$ 76,000                              |
| Distributor  | Gross Receipt Tax | \$ 91,448                             | \$ 91,448                              |
| Testing Laboratory                                       | Gross Receipt Tax | \$ 107,594                            | \$ 107,594                             |
| <b>TOTAL CANNABIS TAX REVENUES</b>                       |                   | <b>\$ 7,783,809</b>                   | <b>\$ 8,585,050</b>                    |

Should City Council decide to not increase the cannabis retail tax, the proposed budget would need to be modified to either reduce overall operating costs or find an alternative revenue source.

### Measure MA Prioritization Plan

The purpose of the adjusted cannabis business license tax rate structure is to fund the proposed FY 21 Measure MA spending plan to fund the Cannabis oversight and enforcement programs, enhancements related to the Racial Equity and Reconciliation Initiative, and other Health and Public Safety City costs as described earlier in this document.

This plan is in alignment with the City Council's resolution of intent for Measure MA funds. Although Measure MA is a general tax to fund City services, the City Council has expressed its intent to prioritize spending of Measure MA funds for the following purposes:

- Regulation and Enforcement, including the costs of regulating and enforcing the cannabis industry, which includes administration and oversight, licensing, plan checks, inspections, enforcement, and legal services.
- Public Health and Safety, including the costs of providing public health and public safety services, related to emergency response, police and fire services, continuum of public safety services, homelessness, drug prevention and treatment, environmental and food safety services, and other health and safety services.

See **Attachment K “Measure MA Summary of Uses”** for the breakdown of the use of Measure MA funds.

### ***Measure M (2018) – Utility revenue transfer***

Measure M, approved by voters on June 5, 2018, amended the City's Charter to explicitly allow the City to maintain historical utility revenue transfers to the City's General Fund and used to support general City services such as police, fire, library and parks. The transfer can be no more than 12 percent of utility revenues. Measure M was intended to address litigation challenging the historical practice. For FY 21, these utility transfers are budgeted at \$11.7 million from water and sewer funds and \$12.1 million from the gas utility fund. Currently, all water and sewer transfers (from 2018 on) for Measure M, excluding amounts directly related to General Fund services being provided to the utilities, are being challenged through litigation. The City is appealing a court decision in January 2020 that the transfers cannot be made. Pending resolution of the litigation, the City has agreed to escrow \$3 million of the FY 20 water and sewer transfer, \$6 million of the FY 21 transfer and all of any future transfer (FY 21 and beyond), except for the amount

associated with General Fund services, until a final disposition has been made with regard to the litigation.

In recent years, the City has received from the Water Department a Water Fund Group transfer amount linked to historical transfer amounts. The amount typically increases each year with inflation. For FY 21, the Water Board has proposed reducing the historically-based transfer amount by \$2 million, which is an additional impact on the budget on top of the costs related to the Measure M settlement. This has impacted the General Fund shortfall situation.

### ***Measure B (2020) – TOT***

On March 3, 2020, voters approved Measure B, which increases the General Fund portion of the Transient Occupancy Tax (TOT) by 1 percent (from 6 to 7 percent), paid for by hotel/motel guests, providing approximately \$2.8 million in additional funding annually. Currently, the TOT rate is 12 percent of the rent, of which 6 percent is paid to the General Fund for general City services, and 6 percent is paid to the Special Advertising and Promotion Fund. Special Advertising and Promotions Fund revenues are used for advertising, promotional and public relations projects, and special events calling positive attention to the City. The City's 12 percent TOT rate does not include the additional 3 percent assessment levied on hotels with more than 30 rooms within the Long Beach Tourism Business Improvement area. Revenues generated from the assessment are passed directly to the Long Beach Convention and Visitors Bureau and dedicated to promoting and marketing the City as a tourism destination. Hotel operators or their agents collect the tax when guests pay for their rooms and then pay it monthly to the City. The City has collected a TOT since 1962.

The City Council passed a resolution during its February 18, 2020 meeting to declare their intent to spend these funds on the City's arts organizations and the Long Beach Convention and Entertainment Center. When this measure was placed on the ballot, the Mayor and City Council indicated that the added funding was intended to support the growing needs of Arts in the community as there are currently no dedicated financial resources for this purpose. Further, the Long Beach Convention and Entertainment Center requires upgrades to support programs and services in today's artistic climate, including those that are technological in nature, which includes a projected \$50 million in infrastructure improvements for the Long Beach Convention Center. Thus, this measure provides a vital funding source for student arts education programs, community arts, music, cultural programs and organizations, local museums and theaters, and the Long Beach Convention and Entertainment Center.

In FY 21, due to the expected and significant reduction in TOT revenue from impacts of the pandemic, the anticipated revenue generated by the one percent TOT tax from Measure B tax is anticipated to be \$1.7 million. The FY 20 revenue for the 3-month period of July-September is expected to be around \$370,000, and maybe potentially less. There are many unknowns in terms of how the economy will respond to the ongoing

pandemic and this estimate will continue to change as new information becomes available.

Funding in FY 21 will be allocated in the following ways assuming current revenue projections and that Measure B contributions continue to be automatically made in FY 21: 1) \$17,000 for Measure B reserves set aside, 2) \$841,500 for the Convention Center, and 3) \$841,500 to the Arts Council for distribution to the major art organizations. This proposed use is in conformance with City Council's intent. Final amounts will be evaluated based on revenue projection updates and any adjustments will be brought to City Council.